1907 — Business, F... cial and Investment Counselors — 1928
"... enty Years Of Service"

General Motors vs Chrysler

The Magazine of WALL STREET

Sept. 8th 1928

Vol. 42 - No. 10

C. G. Wyckoff
PUBLISHER

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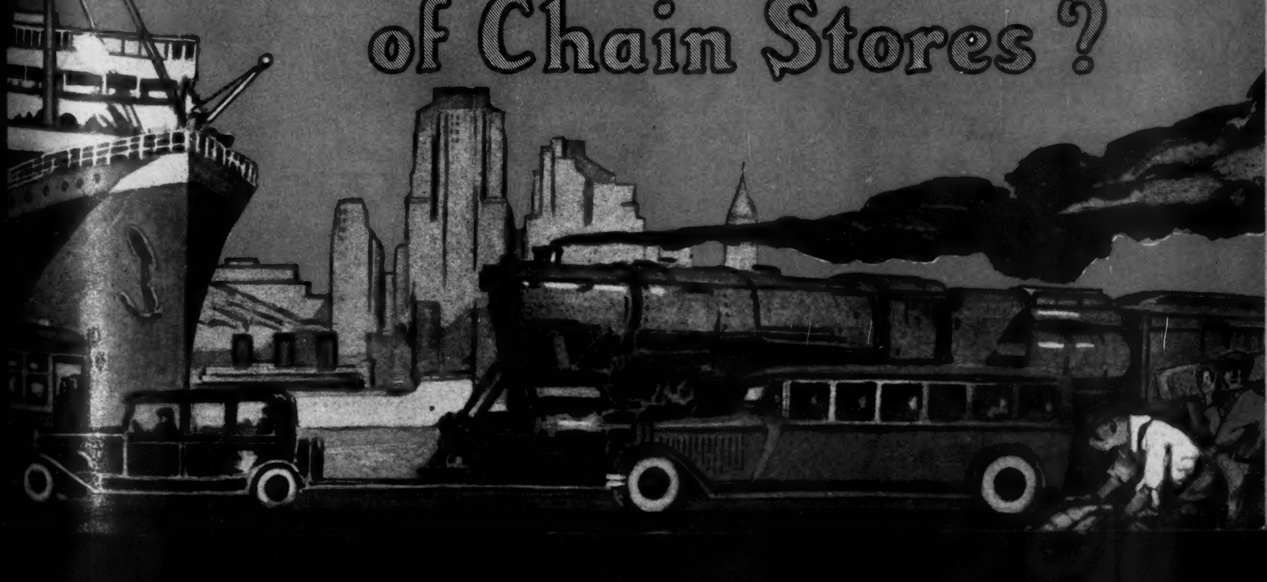
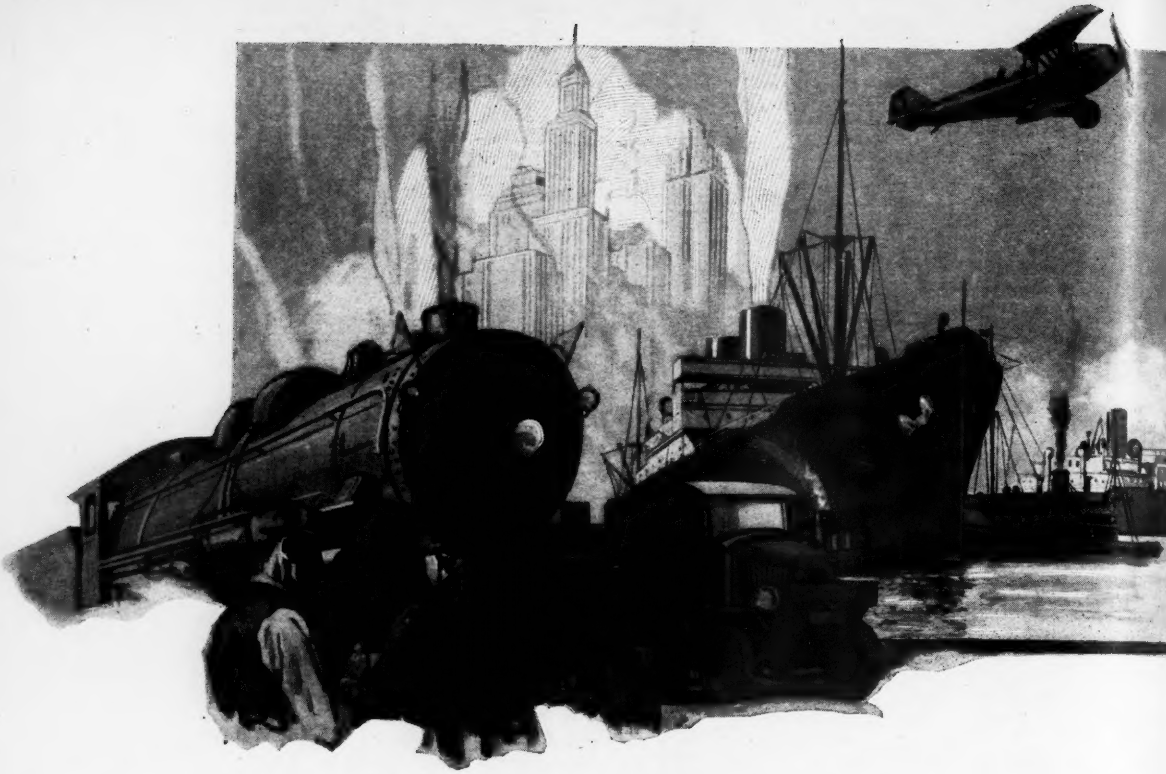
20 Most Attractive Stocks Selected from Four Price Groups

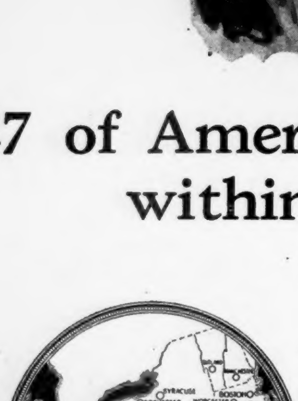
St. Lawrence Waterway - What It Will Mean to Business

What is Behind the Growth of Chain Stores?





27 of America's 50 Largest Markets Lie within easiest reach of Port Newark



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"Where Railways, Waterways, Airways, and Highways Meet"

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WITH THE EDITORS

Material Progress and Happy Homes

AMERICAN citizens of all political faiths have recently read and heard the words with which Herbert Hoover accepted the nomination of the Republican candidacy for President of the United States. To each one of us who read these declaration of principles, the words held many different meanings and interpretations. To the editors of this publication, it was immensely gratifying, for instance, to glean a philosophy, so unusual in political utterances, yet so sympathetic to the avowed purpose and the acknowledged spirit of our organization.

Let us quote some of the excerpts that reflect Mr. Hoover, the philosopher rather than Mr. Hoover the candidate. He says:

"Our party platform deals mainly with economic problems, but our nation is not an agglomeration of railroads, of ships, of factories, of dynamos or statistics. It is a nation of homes, a nation of men, of women, of children. . . . Economic advancement is not an end in itself. Successful democracy rests wholly upon the moral and spiritual quality of its people. Our growth in spiritual achievements must keep pace with our growth in physical accomplishments. . . . Our purpose is to build in this nation a human society, not an economic system. We wish to increase the efficiency and productivity of our country, but its final purpose is happier homes."

We might similarly say that the "platform" of *The Magazine of Wall Street* deals mainly with material advancement; efficient use of wealth; sane investment of capital where it will bring the most advantageous return—yet financial progress is not happiness itself; merely a means toward that end. Our oldest subscribers know that we have always devoted our efforts in the spirit of practical aid, not merely to help our readers to make a pecuniary gain in the market place, but to "get the most out of life as they go along." "Love, Home, Money" is an expression of the fuller purposes of life which in a material age are attained by those who are adequately trained and wisely counselled in their material affairs.

Just as the happiness and prosperity of the nation is closely bound to our material efficiency and productivity, so the spiritual welfare of the individual is bound to the intangible values which he can wrest from wealth and financial progress. Financial independence, security of the home, protection of one's dependents and loved ones—these are the spiritual fruits of a prudent material sowing. *The Magazine of Wall Street* will continue to serve these fuller purposes of life and do its "bit" toward national prosperity through its practical aid to the individuals who make up our nation.

IN THE NEXT ISSUE

Coming Features of Importance

1. ***Unusual Opportunities in Bank Stocks***

—The summer decline in bank stocks has brought many of them down 50-100 points and more from their prices of last spring. Some of these issues are selling now at about the right price, their levels of several months ago having been excessive; but others are now obtainable at very attractive prices. This article will help the investor to choose.

2. ***Have Equipments Turned the Corner?***

—recently American Locomotive received a very large order, the first of its kind in a considerable period. Does this mean that the railroads are about to order heavily from the equipment companies? This article will be accompanied by an analysis of several of the more important companies.

3. ***20 Attractive Stocks (Part II)***

—five of the most attractive stocks selling between $50 and $75 a share and five selling between $75 and $100 a share. Second part of the feature which started in the current number. See page 838.

Watch for the September 22nd Issue

The MAGAZINE of WALL STREET

C. G. WYCKOFF
PUBLISHER

E. D. KING
MANAGING EDITOR

INVESTMENT & BUSINESS TREND

International Significance of Free Gold Markets—Railroad Stocks—The Bond Market—Business Conditions Improving—The Money Situation—Market Prospect

THE Federal Reserve Board, in a most interesting bulletin recently issued, shows clearly that the world's monetary reconstruction has been practically completed. It has taken, it will be noticed, about ten years to effect this profound improvement. With the return of France to a gold standard practically all the important nations of the world are now back on a gold basis, so that world currencies, as the Federal Reserve Board points out, have assumed a definite relationship to the gold holdings of the respective nations. Under present conditions, fluctuations in foreign exchange are narrowed to such a range that variations from parity in addition to the cost of shipments would inevitably mean actual movement of the precious metal. In this it can be seen that the world is back to the situation which prevailed before the war. Elimination of the dangers of wide fluctuations in foreign exchange reduces the barriers to international trade which arise as they did in recent years from an uncertain currency basis.

The Board points out that our recent shipments of gold have not materially weakened its position. Federal Reserve banks are still in an extremely strong position as regards reserves, and the security of international banking has been greatly aided through the redistribution of gold supplies.

Gold stocks in the United States amounted to the unprecedented sum of $4,113,000,000 at the end of July, an amount nearly four times as large as any other nation possesses. From the international viewpoint, it can be seen that our release of a half billion dollars in gold was not only wise in that it aided the reconstruction of the world's finances but that it was accomplished without materially affecting our basic position as regards banking reserves.

RAILROAD STOCKS

NEGLECTED for a time, rail shares bid fair to come into their own. Traffic is increasing in response to crops and seasonal increase in industry and business, and gross revenues undoubtedly should show an increase of fair proportions during the balance of the year so that this period should contrast favorably with the same time in 1927. Examination of July reports which have recently come to hand indicate that the same efficiency in regard to economical operations is marking the activities of leading carriers and that these efforts have successfully tended to offset the previous decline in gross income.

Northwest roads look forward to an excellent business from the increase in crops and also from the expected increase in demand for goods and commodities which will emanate from agricultural regions as a result of their new prosperity. The Southwest roads are also favored by crop conditions and have reflected the effects of the recent stimulation of their traffic in the market action of the

1907 Business, Financial and Investment Counselors "Over Twenty Years of Service" 1928

leading shares. Important transcontinental systems also face a satisfactory period. Among the roads which will benefit are the coal carriers owing to the outlook for an almost certain increase in production of bituminous coal. Railroad shares both from the investment and speculative viewpoint deserve the attention of the public.

BOND MARKET

HIGH money rates still have the effect of acting as a blanket on the bond market. Volume of transactions is reduced to negligible proportions and new financing is practically at a standstill. While buyers prefer to hold off awaiting concessions in prices, it is noticeable that actual holders are no longer liquidating on a large scale. This gives the market an unexpectedly firm aspect, considering the altogether unfavorable character of the money situation. For the time being, it is probable that present quiet conditions in the bond market will continue but the discerning investor will recognize that a definite opportunity is being presented to him to select among the available issues an increasing number which are becoming attractive as to yield. But if the investor prefers to await a more propitious time to enter the market, at least he will do well not to dispose of his securities at the prevailing low prices.

MONEY MARKET

CALL money has fluctuated at around 7% for so long that it has become accepted by Wall Street as the normal rate to be expected for some time to come. Time money is quoted at 6½% and commercial paper at from 5¼-5½%. The rediscount rate in New York and Chicago and other Reserve banks remains at 5% though several are still on a 4½% basis. The so-called policy of the Federal Reserve board in regard to restricting credit for speculative stock market purposes, contrary to the opinion of some observers, hardly seems likely to be changed in the near future. It is true that the Board is practically obligated to relieve tension in the money market in so far as this is likely to prove burdensome to agriculture and business, but relief of this nature, as for example in the possible purchase of Government securities by the Federal Reserve Board, is likely to be only temporary. For this reason any genuine relief in so far as the call money market is concerned seems as yet some distance off. Except for comparatively brief breathing spells which are bound to come from time to time, it seems improbable that even comparative ease in the money market will come about until October, and it may be delayed beyond that time.

SUGAR

THE straits in which the sugar industry of Cuba finds itself has convinced leading sugar interests of that island that restriction, as hitherto applied, is ineffective. With production increasing in other parts of the world, low prices have come about as a result of the excessive supply so that Cuba virtually finds herself in the position of holding the bag for other nations. Low prices and a legally restricted supply make a bad combination; hence, the decision to abrogate legal restriction and allow the natural laws of supply and demand to operate once more. Under present conditions, none but the most extremely efficient Cuban producers can operate profitably. Removal of restrictions will, of course, tend to add to burdensome supplies but should world production outside of Cuba show a decline due to natural causes, prices would advance and Cuban interests thereby profit doubly. Such an outcome, of course, depends entirely on chance but with legal restriction proved ineffective, it seems that removal of this restriction will not, at least, make the situation much worse. There is little to lose in this step and possibly much to gain.

MARKET PROSPECT

ENCOURAGED by the failure of money to become excessively dear at the end of the month, as generally expected, the market staged an impressive bullish demonstration. Many stocks have made new highs, some for all time, and in general, a broad upward advance is in process at this writing. Business conditions are favorable and earnings prospects very satisfactory. With this as a foundation, it is becoming more apparent that money conditions are not destined to play an excessively important role in the stock market in the near future. At present, railroad, steel, petroleum and department store stocks are in a strong position and should attract a growing public interest. With prices fluctuating rapidly, technical reactions of perhaps severe proportions may be expected from time to time and investors and speculators should maintain a conservative policy in regard to new commitments.—Tuesday, September 4, 1928.

An Abnormal Money Market

A "Twin" Market Developing in Money—One for Commercial Borrower and the Other for the Stock Market

By WINTHROP E. HASTINGS

WILL the business man — as an innocent bystander in the "fight" between the Federal Reserve and the stock market—be hit inadvertently by the blows which these formidable antagonists are aiming at each other? This is the question which business executives are asking as they see the cost of commercial borrowing slowly climb higher. A brand new development is observed in the money market, however, which should give some comfort to apprehensive business men. The discussion of this new development on these pages should be highly enlightening to both business executives and investors.

THE money markets have now reached a point where the Federal Reserve authorities are confronted with the momentous problem of how to swing the "big stick" over the stock market without cracking the heads of business men who require funds for commercial purposes at this season of the year. Heretofore, the problem has been an academic one. In a vague theoretical sort of way, the dilemma has been under discussion for months. The stock market has been consuming an undue portion of the available credit, with a seasonal upturn in commercial loan requirements on the way; the banks were told that somehow they must put their houses in order to be in a position to accommodate their most prized customer—the businessman; and that, unless our credit base is enlarged through a return of the gold lost recently, the speculators must relinquish their hold on the nation's credit reserves.

Adroit Manipulation

Now the peak of the season for fall crop movements and business credit needs is at hand; stock tickers are forced to pace at a greater strain to record the daily transactions of close to four million shares; and the volume of borrowings of security dealers is hardly changed. By adroit manipulation of the credit strings, the Federal Reserve officials have accomplished several things. They have made the stock market speculators pay a high price for their money—6½% on time loans and as high as 7½% renewals on call loans. They have created a "spread" between the cost of collateral loans and commercial loans of from one to two per cent. They have built up a psychological barrier to prevent the flow of credit from the lower commercial loan market to the higher stock exchange loan market; one that may ultimately be swept away by the demands of a bouyant securities market but which for the time being is serving an effective purpose.

But the bankers have failed miserably up to the time of this writing in one purpose, namely, to dampen the speculative enthusiasm of stock buyers. Until this is accomplished, the Reserve officials have a threadbare victory to celebrate in their efforts to keep stock exchange borrowing high and commercial borrowing cheap. For the member banks must be looking with envious eyes at the current 7½% call rate and the larger income that outside lenders are obtaining on their stock exchange loans placed through the banks than the banks themselves are realizing on their commercial accommodations.

Since the beginning of the year, the banks are placing 900 million dollars less of this money for their own account, this figure representing the increase in the amount placed for "others" during this time. It is only the traditions of the banking business, which dictate that commercial borrowers "come first" plus the fear of another increase in the Federal Reserve rediscount rate, that prevents the member banks from kicking over the traces and going heavier into the more attractive call loan market.

Stock Market's Imperviousness

Of course, it is always possible that the stock market may succumb to the pressure of high costs of speculative borrowing. Any appreciable reaction in prices or a slowing up in trading activity would release sufficient sums to ease the money situation. Such a development would probably be interpreted in banking circles as a complete victory for the Federal Reserve officials. However, there is no certainty that such action will materialize. The current performance on the Stock Exchange offers strong evidence of the market's imperviousness to high collateral loan rates.

This raises again the delicate question of what the banking authorities can do to further check the flow of money into the stock market without seriously handicapping businessmen who are in the market for accommodations at this time. Another increase in the Federal Reserve rediscount rate would undoubtedly throw the brunt

of an equal increase in the cost in commercial borrowing on the shoulders of the business community. The member banks are already heavy borrowers at the Federal Reserve system and would restrict credit all around—both in the security loans and in business loans—in an effort to reduce their borrowing against their reserves at the higher cost. Furthermore, it is to be seriously questioned whether another increase in the rediscount rate would have the desired effect on brokers' loans.

In this particular regard, it is noted that the latest rate increase by eight Federal Reserve banks failed to accomplish any large reduction in this account. On July 3 of this year, brokers' loans stood at 4,307 million dollars; as of August 29 the figure was 4,235, a reduction of substantially less than 100 million dollars and less than 2% of the total. The banks themselves cut down their loans almost three times this amount—a reduction that was offset by offerings from private individuals and corporations in the call loan market. The latest rediscount rate increase resulted in *an increase in the cost of collateral loans* rather than in a *reduction of their total.* But at the same time commercial borrowing increased in a rise of acceptance quotations of over ½ of 1% and in commercial paper of about ¾ of 1%.

During this same period certain changes have taken place in the position of the member banks which are not entirely desirable and perhaps were not fully anticipated when the bank rate was brought to the 5% level. Faced with the prospect of higher costs of commercial borrowing and the outside attraction of a high call money rate, individuals and corporations have drawn rather heavily on their bank balances. The deposits—both on a time and call basis—aggregating over 20.5 billion dollars as shown by the statements of all reporting member banks on July 3rd fell off about 850 million dollars by August 22. Practically all of this decrease represented withdrawals of demand deposits, and to meet the demands of depositors, the banks were compelled to liquidate about 240 million dollars of their own investments and to contract loans totaling almost 400 million dollars.

DEVELOPMENTS in the money market should be followed closely by business men and security owners for they will have an important bearing on financial conditions. It will be the policy of this publication to continue its analyses of the current money market situation so long as it exemplifies the effects of abnormal conditions, as at present.

The pressure on the banks, resulting from these decreases of deposits, prevented them from liquidating their borrowings at the Federal Reserve banks, which was one of the aims that the Reserve officials had in mind when the rediscount rate was increased. Of the withdrawals in individual deposits, several hundred million dollars is thought to have gone directly into the call loan market, as reflected in the expansion of the account for "others" during this same period. Thus, another purpose which the Reserve authorities sought through the increase of the bank rate was defeated, while the single acomplishment, namely, forcing up the cost of stock exchange borrowing so far has failed in its ultimate purpose of putting the brakes on speculative activity in the market.

Further Rediscount Increase Would Hurt

Does it not seem clear from this evidence that a further increase in the rediscount rate at the present time would place a heavier burden on commercial borrowers with, perhaps no more effect on collateral loans than resulted from the previous increase? Even though a severe reaction could be precipitated in stock exchange prices by such action, would not this have an unfavorable effect on business men who are already looking askance at the rising cost of commercial borrowing? These considerations are the realities —not merely academic questions—that face the Federal Reserve officials at the present time.

There is a growing feeling among Stock Exchange observers, that under such unusual circumstances, the Reserve authorities will attempt to steer a middle course throughout the remainder of the period of high money rates. The greatest success of the board so far has been to artificially create two markets for money, one for the businessman and one for the speculator. The distinction between the two markets lies in the rate structure which prevails for each one. Commercial borrowing currently ranges at from 4¾% to 5¾%, the former the lowest rate on acceptances and the latter the highest rate on commercial paper. Collateral rates, on the other hand, rule at 6½% for time loans and a wide range of from around 5% to as high as 8% on call loans. The "spread" between the two rates structures averages over 1%, with the penalty falling on the borrower against security collateral.

Such a situation as this has existed only in periods of great credit stringency heretofore as the banks are accustomed to divide their favors between the needs of the security markets and the requirements of their commercial customers. Today, the banks are the sole providers of the commercial money, whereas the non-banking lenders are placing almost half of the present call loans. The banker ordinarily feels a more pressing obligation to his commercial clients, whereas Wall Street loans are placed on a much more impersonal basis. When his business customers need funds, the banker withdraws loans out of the stock market to accommodate the commercial borrower. When the call rate increased, the market released funds through an internal readjustment of stock prices.

Effect of Outside Participation

Today, when the call rate runs up, the non-banking lenders come into the market. Were all this non-banking lending purely "outside" money there would be no problem to the banker. When this money is withdrawn from bank deposits, however, the banker must go to the Federal Reserve banks with his eligible paper to accommodate the commercial borrower. Then, when the bank rate on rediscounts is raised to force money out of the market, the banker finds himself in a difficult position. Thus in the final analysis, it is the outside participation in the call money market that is making Federal Reserve rediscount rate increases ineffective in checking stock market loans, and is inadvertently making the banks suffer for the sins of the speculative community. No wonder that the individual bankers themselves are calling upon the perplexed gentlemen who direct the destinies of the Federal Reserve system to relax their pressure against the money market in general and confine their efforts to separating the commercial loan sheep from the collateral loan wolves.

So far the Federal Reserve officials have been eminently successful in making stock market money high without placing any undue pressure on the commercial borrower, so much so in fact, that money brokers are discussing the possibility of two separate money markets developing out of this situation. The "spread" in rates was accomplished largely through the cooperation of the member banks and the "banking policy" laid down for the nation by the Federal Reserve board. In other words, the influence has been, in the main, a psychological one resulting from the officers of the Reserve System calling attention to member bank borrowers that it is unsound banking policy to continue heavy borrowings against their reserves at a time when the stock market is absorbing funds which the business community may require in the near future.

The influence does not entirely rest on such intangible factors as "bank policy," however, and has been seen in

the open market operations of the Reserve banks themselves. During the middle of August, for example, heavy offerings of acceptances gave a very firm tone to this division of the money market. Largely to prevent a further advance in the rates for this class of paper, the Reserve banks went into the open market and bought bills. This was generally interpreted as an attempt by the Reserve banks to prevent the acceptance rate from coming up to a level with the rediscount rate.

A "Twin" Money Market

There is some justification for the policy of the Reserve officials in favoring the businessman borrower at the expense of the Stock Exchange borrower. This, in fact, was one of the various purposes which the creators of the system intended. The existence of the Reserve system itself was projected so that the banks of the country might have a safe and elastic depository for their reserves in substitution of the older practice of holding their reserves in New York for temporary accommodation in the Stock Exchange call loan market. When the problem of defining what paper should be eligible for rediscount, it was finally decided to make commercial and farm paper eligible but to completely eliminate this privilege for collateral loans of any kind except Government securities.

It is admitted that the ineligibility of Stock Exchange collateral loans has been sidestepped to some extent in the ordinary course of banking procedure. Thus, the member banks take their eligible paper to the Federal Reserve banks for rediscount and place the sums realized either directly or indirectly against security loans. Furthermore, the individual borrower can take advantage of the discount value of his commercial bills and use the funds directly for security speculation or place the funds in the call money market through the agency of the New York banks. This has been particularly profitable practice of late with commercial paper bearing a rate of say, 5% net on discount and a call money renewal rate of 7½%. Should this practice become more extensive it would tend to close up the spread between collateral loans and commercial discount rates but in the meantime, it can be said that as far as the rate structure is concerned a "twin" money market is developing for the commercial and the stock market borrowers.

At the present time, it looks as though the only way in which this "spread" in money rates can be reduced or eliminated entirely would be to eject somehow the large body of non-banking lenders from the call money market. An attempt to accomplish this end has been made by the banks in the New York Clearing House Association, by raising the rates on demand deposits lodged with the banks and by increasing the handling charge on call loans placed for "others." So far this new regulation has failed in its purpose; for it has neither attracted money back on deposit nor has it prevented the total of non-banking call loans from increasing. This item stood at 1,907 as of August 29, a new record for this division of brokers' loans for all time, and an increase of approximately 75 million dollars since the early part of August when the new Clearing House regulation was formulated.

It is quite probable, however, that the full effect of the Clearing House regulations is still to be witnessed. With the renewal rate for call loans holding firm at as high a level as 7½%. it is still more profitable for corporations to place their funds on call, even on the higher handling charge, than to keep their funds on demand deposits with the banks. A 5% call rate, would greatly diminish the advantage and perhaps enable the banks to more fully accomplish their aim.

When the officers of our large corporations are told that the present situation harbors elements of danger and lends great instability to the call money market, their reaction is inclined to be one that "this may be so, but it is our affair to keep call money rates stable; this is a free country, and as long as we can get a larger income from call loans we intend to place our funds in that market."

Furthermore, the new rule fixing $100,000 as the minimum loan only went into effect at the beginning of this month and its enforcement is a delicate problem. Banks which have been soliciting new customers on the basis of their broad banking service, including their willingness to place money on call, must reverse their policy slowly and tactfully as far as the $50,000 customer is concerned. So here again, we have a new element in the money situation with no precedent on which to base a forecast of the future.

"Putting the Fire Out"

St. Lawrence Waterway Development of Momentous Consequence

Power Aspects—How It would Help Farmer

By THEODORE M. KNAPPEN

IT'S a long way from the St. Lawrence to Panama, but because we dug the big trans-isthmian ditch we must open the St. Lawrence from the ocean to the Great Lakes. The coasts demanded the union of the oceans; the interior demands the indentation of the coast to Chicago, Ft. William and Duluth. Panama upset the balance of economic power between the interior and the Atlantic coast; the St. Lawrence route is planned to restore it.

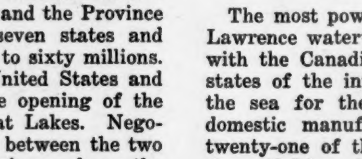
But it may create a new balance, quite different from the old.

The two great Atlantic ports of the continent—New York and Montreal—view with apprehension the projection of the Atlantic Ocean to Chicago, Duluth and Ft. William. New York imagines the world trade channels of the United States deflected from its harbor to the St. Lawrence. Montreal sees itself transformed from an ocean terminus to a way station between Liverpool and Ft. William-Duluth-Chicago. Against the State of New York and the Province of Quebec are arrayed at least twenty-seven states and seven provinces with a population of close to sixty millions.

The federal governments of both the United States and Canada are committed in principle to the opening of the St. Lawrence from the ocean to the Great Lakes. Negotiations for the drafting of an agreement between the two nations are actually in progress; the engineers have the plans ready; and powerful propaganda presses in both countries for early parliamentary and congressional authorization. Moreover, the Great Lakes-St. Lawrence Waterway is a chief personal plank of one of the presidential candidates—Mr. Hoover. He has advocated it for many years. If he is elected a tremendous impetus will be given to early decision and early action. So set is he on the consummation of this great engineering and economic enterprise that he said in his West Branch speech that if negotiations with Canada should fail other alternatives of bringing the Great Lakes to the sea must be resorted to. That means the substitution of the Hudson River for the St. Lawrence. Gov. Smith mildly reflected the opposition of New York in his acceptance speech, but he has also pledged himself to be guided by the findings of experts, if elected.

Canadian Aspect

Montreal may fear becoming a way station on the great intercontinental route, but not more than New York fears what will happen to her if Montreal becomes a way station, and 88% of the world's ships may steam to the middle of the continent. So, it is said, New York finances Montreal and Quebec to oppose the St. Lawrence route. Many other interests are involved. Some highly patriotic Canadians are opposed to "internationalizing" the St. Lawrence. They want an all-Canadian deep water route to the sea, or none. Some patriotic Americans want no American money spent on a route that opens into the sea through Canada. Then there is a question of the 5,000,000 hydro-electric horsepower that may be developed as an incident of the improvement of navigation, of which 4,000,000 will belong to Canada (with export forbidden), with perhaps a consequent tendency to shift manufacturing for foreign trade from the south to the north side of the international line. Also there is the question of who will exploit this vast volume of power and its revenues. Here private capital is arrayed against state ownership and operation, and the capitalists are again divided into hostile groups. Eyeing both power and navigation, Boston opposes New York and Toronto keeps a jealous eye on Montreal.

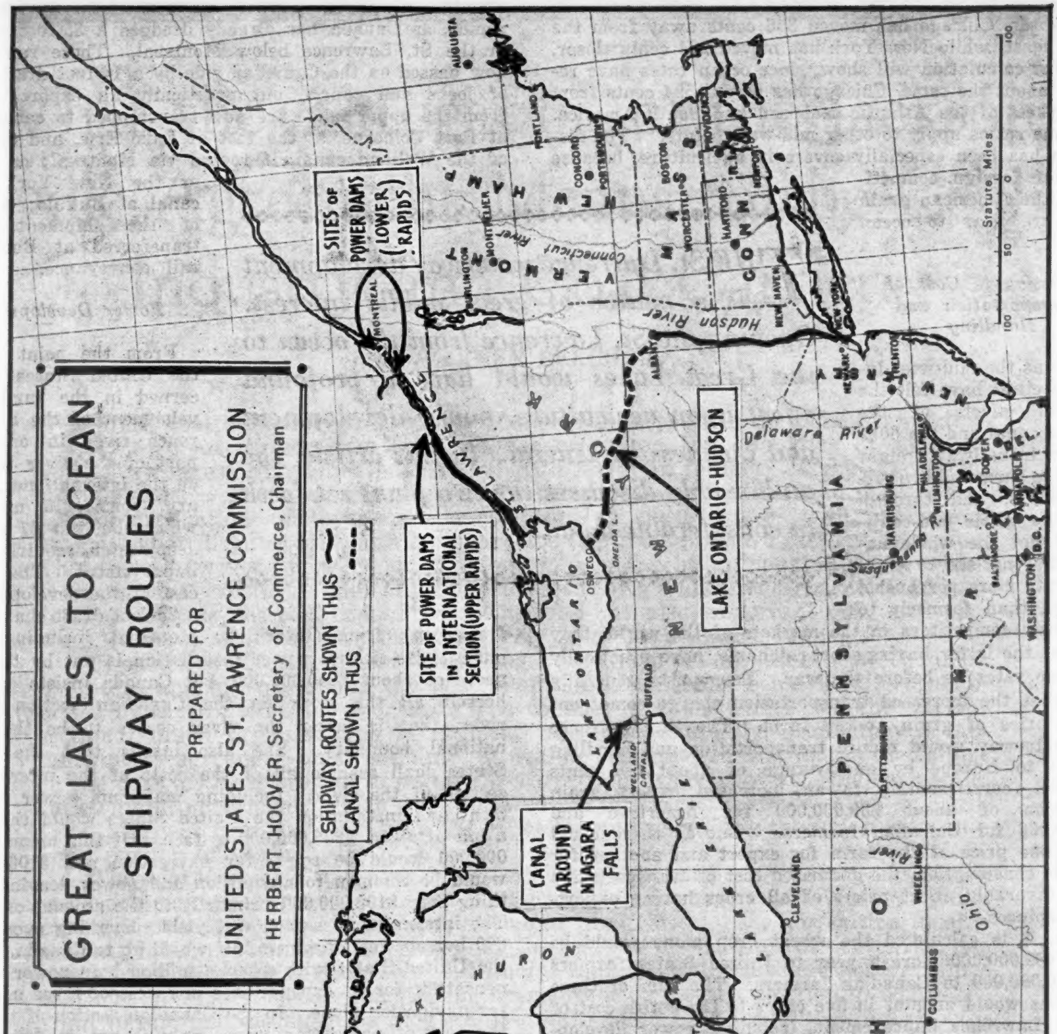


Effect on Agriculture

The most powerful demand for the deepening of the St. Lawrence waterway comes from the American middlewest, with the Canadian prairie provinces a close second. The states of the interior demand a cheap waterway route to the sea for their agricultural exports and to maintain domestic manufacturing parity with the seaboard; and twenty-one of them officially compose and are supporting the activities of the Great Lakes-St. Lawrence Tidewater Association. Increases in rail freight rates since the World War have in effect removed the farmers of the interior many hundreds of miles from their foreign markets. The same increase plus the reduction of transportation charges between the Atlantic and Pacific coasts, due to the Panama Canal, has in effect moved Chicago away from, and brought New York nearer to, the Pacific coast, and the whole littoral of that ocean. The domestic distribution areas of interior cities are reduced and industry tends to move backward toward the Atlantic and westward to the Pacific.

The Panama Canal has been a decided injury to the industrial west. The only cure is less costly transport to the seaboard. "These sections," said Herbert Hoover, as chairman of the United States-St. Lawrence Commission, "have always been under natural transportation disadvantages in the exportation and importation of commodities, but the building of the Panama Canal artificially created a further dislocation of their competitive relations, and beyond this the necessary increase in railway rates following the war have shifted greatly the economic position of the mid-continent to the great detriment of that area. This becomes apparent if we cease to think of distance merely as a matter of miles and consider it in terms of cost.

"If we take as a unit of measurement the cost in cents of carrying a ton of staple goods at present rate, taking the cheapest route in each case, we find that before the war New York was 1,904 cents away from San Francisco, while now it is only 1,680 cents. Chicago, which was 2,610 cents away from the


GREAT LAKES TO OCEAN
SHIPWAY ROUTES
PREPARED FOR
UNITED STATES ST. LAWRENCE COMMISSION
HERBERT HOOVER, Secretary of Commerce, Chairman
SHIPWAY ROUTES SHOWN THUS
CANAL SHOWN THUS
SITE OF POWER DAMS IN INTERNATIONAL SECTION (UPPER RAPIDS)
SITES OF POWER DAMS (LOWER RAPIDS)
LAKE ONTARIO-HUDSON
CANAL AROUND NIAGARA FALLS
MONTREAL
ST. LAWRENCE
LAKE ONTARIO
OSWEGO
ONEIDA L.
ALBANY
Hudson River
NEW YORK
BUFFALO
WELLAND CANAL
LAKE ERIE
CLEVELAND
DETROIT
LAKE HURON
LAKE MICHIGAN
LAKE SUPERIOR
DULUTH
CHICAGO
PROPOSED CHICAGO CANAL
MILWAUKEE
MADISON
LANSING
MICHIGAN
WISCONSIN
ILLINOIS
INDIANA
OHIO
PENNSYLVANIA
NEW YORK
VERMONT
NEW HAMP.
MASS.
CONN.
R.I.
NEW JERSEY
DEL.
MD.
WASHINGTON D.C.
BALTIMORE
PHILADELPHIA
HARRISBURG
PITTSBURGH
WHEELING
COLUMBUS
CINCINNATI
INDIANAPOLIS
SPRINGFIELD
ST. LOUIS
Mississippi River
Illinois River
Ohio River
Delaware River
Susquehanna R.
Connecticut River
BURLINGTON
MONTPELIER
CONCORD
PORTSMOUTH
PORTLAND
AUGUSTA
BOSTON
WORCESTER
PROVIDENCE
HARTFORD
NEW HAVEN
TRENTON
WILMINGTON
DOVER
ANNAPOLIS
Statute Miles
100
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Pacific coast before the war, is today 2,946 cents away. In other words, Chicago has moved 336 cents away from the Pacific coast, while New York has moved 224 cents closer. A similar calculation will show, since ocean rates have remained about the same, Chicago has moved 594 cents from the markets of the Atlantic seaboard and South America. The same ratios apply to other mid-west points." The dislocation has been especially severe in agriculture, because the chief foreign competitors of the American grain raiser are near to ocean points.

THE St. Lawrence waterway development is a matter of great public interest. Opening the St. Lawrence from the ocean to the Great Lakes would have a profound effect upon agriculture, power development and business in general. In this article, the author ably discusses the two plans set forth in considerable detail.

Reduction in Cost of Transportation and Handling

Much as the mid-west industrial cities have felt the combined effects of the Panama canal and the 60% increase in railway freight rates, the farmers have suffered more, and through them, the whole mid-continent if not the whole nation. Paying six to eighteen cents more per bushel of grain than formerly to meet their competitors in the markets of the world, they find that the latter, having short rail hauls, have practically the same rates as before the war. Economists generally agree that the increased transportation charge comes out of the price of grain at the farm. The St. Lawrence deep waterway would reduce transportation and handling charges to Europe by an average of about ten cents a bushel, corresponding to an increased export grain realization of about $30,000,000 for American and $25,000,000 for Canadian farmers. But as there could not be one price at the farm for export and another for domestic consumption, the decreased cost of transportation would favorably affect prices of all crops having exportable surpluses.

Thus, it is calculated the wheat crop alone would be worth $80,000,000 more a year to United States farmers and $40,000,000 to Canadian farmers. The sum of these two gains would amount in five crops to the entire cost of the St. Lawrence improvement, including power development; or, without the power, one crop. The Hoover report estimates that the increased crop values in a single year to the farmers alone would equal the capital cost of the waterway proper. A 25-foot draft channel would accommodate 30,000,000 tons a year; and it is calculated that 15,000,000 tons of grain and 10,000,000 tons of other commodities would be available, of which 80% would be export and import.

The work of improving the Great Lakes-St. Lawrence outlet to the sea began 149 years ago when Canada dug a two-feet channel for fur trade canoes around the St. Lawrence rapids. Since then both nations have dug and dug and locked and locked. The United States has deepened the channel from Lake Huron to Lake Erie; and has taken the major part of the construction canals and locks between Lake Huron and Lake Superior, although there is a complete unit on the Canadian side. Canada long ago built the Welland canal and locks to get around the Niagara drop in levels between Lake Erie and Lake Ontario. By 1930 this by-pass will be rebuilt to accommodate vessels of 25-foot draft. There will then be a 20-foot channel from Duluth to the lower end of Lake Ontario, regardless of any international cooperation. There remains only the deep water conquest of the St. Lawrence rapids, as Canada has already dredged a 35-foot channel in the St. Lawrence below Montreal. Those rapids are now passed on the Canadian side by a 14-foot draft series of locks and canals, but practically all export cargoes from the upper lakes are now transhipped to canal boats at Port Colborne, at the foot of Lake Erie, and the head of the Welland canal, if routed via Montreal; or to rail or the New York barge canal at Buffalo; the bulk of the shipments being transferred at Buffalo to rail conveyance.

© Canadian Pacific

Power Development

From the point of cost the United States is concerned in the further development of the St. Lawrence river in only that part of the river that lies on the international boundary, some 115 miles, of which the first 67 miles is deep water, requiring little improvement. The total cost of the development of a 25-foot draft channel (27 feet deep) from Ontario to Montreal. including maximum hydro-electric power installation is put by the engineers at about $650,000,000, but Canada insists on doing herself all the work on the Canadian section of the river, that is, after the river ceases to be the international boundary. She also insists that the United States shall assume all of the costs of the international section of the river. Including maximum power development and installation the United States would then have a bill of about $235,000,000 to face. Of this amount $24,000,000 would be solely for navigation and $106,000,000 would be common to navigation and power, leaving something over $100,000,000 primarily to the account of power. The international section will yield something over 2,000,000 horsepower, of which half would go to Canada, leaving the United States with about a million horsepower to compensate it for its expenditures in excess of those necessary for navigation alone. In the Canadian section of the river the cost of navigation works only is put at $99,000,000. To provide a 27-foot channel all the way to the head of the Great Lakes, which Canada expects the United States to meet alone, will be $66,000,000. On the other hand, the enlargement of the Welland canal is costing Canada $115,000,000. If we disregard power development and consider navigation only, the total cost of 25-foot draft navigation, as planned, from Montreal to the head of the lakes is about $350,000,000. Crediting to power a proportion of the costs of the dams necessary to navigation improvement, the St. Lawrence river work alone will come to $125,000,000 to $150,000,000. Adding the cost of the Welland and of improvement of upper lake channels to the full navigation and power cost of the St, Lawrence makes a total cost of something over $800,000,000. The project thus becomes financially as well as hydro-electrically the greatest engineering project the world has known.

The Negotiations Between Canada and the U. S.

The present political status of the project is that following two official international engineering investigations and economic studies by the International Waterways Commission and by separate American and Canadian advisory commissions the Canadian govern- (*Please turn to page* 878)

What the Abrogation of the Jacksonville Agreement Means to the Coal Industry and Coal Carriers

By WARREN BEECHER

THE coal industry has been one of the weakest spots in the industrial picture for many months past; and by the same token the securities of even its strongest companies have found little favor in the eyes of the investment world. The underlying causes for the depression, to be found in excessive production and over-manned condition in most mines, with concurrent labor disputes and high costs, are too familiar to require further discussion. There are, however, more recent developments in the bituminous situation which merit careful scrutiny as indicating improvement of a widespread character and affecting not only the coal companies themselves but also important soft coal carriers, some of which have suffered severely from the declining tonnage.

The Jacksonville agreement, which has been the point at issue between union operators and miners during the past year and a half has been definitely abandoned by the United Mine Workers. The counsel of their leader for the various sectional union organizations to negotiate for terms mutually satisfactory is tantamount to surrender on this point. It will be remembered that it was the failure on the part of the operators to renew the three-year wage contract, known as the Jacksonville agreement, which precipitated the unsuccessful strike called in April, 1927, and which in turn has been the chief factor in breaking the union grip on a large portion of the industry.

Those areas which had already definitely broken with the union and which were determined to pursue an open-shop policy, such as northern West Virginia, Pennsylvania and parts of Ohio are, of course, unaffected by the abrogation insofar as their labor problem is concerned; but the removal of the cause of contention has opened the path for negotiations in Illinois, Indiana and elsewhere where mines continue on a union basis. Negotiating operators are now in a position to secure the right to hire and discharge as they see fit and to adopt such machine mining opera-

(*Please turn to page* 833)

Companies Affected by Improvement in Soft Coal Industry

Leading Bituminous Coal Producers

	Annual Production av. past 3 years millions of tons
Consolidation Coal	14.01
Island Creek Coal	6.66
Pittsburgh Coal	6.15
Pittsburgh Terminal	3.42
Pennyslvania Coal & Coke	2.30
Elk Horn Coal	2.13

Railroads to Which Soft Coal Freight is Important Item

	% Total Freight Carried Represented by Bituminous Coal 3 yr. average
Chesapeake & Ohio	81.9%
Norfolk & Western	77.3
Louisville & Nashville	72.9*
Chicago & East. Illinois	49.6
Baltimore & Ohio	46.0
Illinois Central	34.2

*Includes all Mine Products

John J. Raskob

General Motors and Chrysler

Pierre S. duPont

A spectacular Phase of the Struggle for Domination in the Motor Industry—Stock Market Psychology Applied to the Leader

Walter P. Chrysler

By LORING DANA, JR.

THE rise of General Motors to the position of leadership in the justly famous bull market of 1928 is undoubtedly one of the most engrossing chapters of contemporary financial history. If this chapter should now be drawing to a close, one wonders if there is a logical contender for the position of leadership which up to the very recent past was held with so wide a margin by General Motors; or if there is no real leader being groomed for the position, how will stock buyers, now eagerly scanning the skies for the new Stock Exchange messiah, dissipate their speculative energies.

Stock buyers have experienced the thrill of riding on the band-wagon of the Raskobs, the Durants, the Fisher Bros., the du Ponts and others. They are making careful note of all alleged affiliations of these operators with new companies; noting also the termination of past affiliations, and watching tickers for the emergence of new leaders on the Stock Exchange which will carry them to bigger glory and still bigger profits.

Has Served Its Purpose

It is admitted that the March performance of General Motors stock was a powerful factor on the constructive side of the spring market. It is not forgotten that a rather weary looking market that seemed to many observers to be on the verge of tottering was transformed almost overnight into an enthusiastic bull demonstration, with its four and five million share days, its tired brokers, its happy customers and the front page newspaper stories of the "big doings" in Wall Street. Now, with General Motors having effectively served its purpose as the "whip" in that stage of the present bull market, forward looking personages in Wall Street are busy attempting to ascertain the future of that giant of motordom in its own right.

It is not to be overlooked that the stock market "following" which was built up in General Motors and other less active market leaders in the past is likely to play a prominent role in the advances of other issues, and, therefore, represents an important stock market factor. If General Motors and the rest of the market leaders of the spring bulge are no longer in a position to satisfy the "urge for bigger and better stock market profits," will not the extensive "following," that is now lodged rather dormant in the past leaders, seek some medium of expression elsewhere in the trading list?

By limiting the discussion to General Motors stock, we can see the picture a little more clearly, but we must make a mental reservation that similar situations exist in other securities, and that General Motors is merely symbolic, in a sense, of many other active stock exchange issues. It will be recalled, for instance, that not so long ago, General Motors seemed to be under rather severe liquidation—a movement that carried the stock off almost twenty points in less than two weeks. At that time, brokers reported a great deal of switching from Motors into Chrysler, which over the same period of time advanced from around 80 to 98.

This movement has a much broader interpretation than a shifting of current trading interest from General Motors to Chrysler, however, in that it furnished an interesting study of the impatience of the General Motors "following." When an old leader in any group is surpassed in market activity by a newcomer that seems to hold out the promise of a rebirth of the old spectacle, a sudden shift in buying orders is inevitable.

Keeping in mind always that the General Motors-Chrysler spectacle is symbolic of an important psychological factor in the current market, here is the situation as one writer sees it and the implications that can safely be drawn.

As the result of the spectacular and widely advertised market campaign in the early part of this year, a very large and conglomerous group of investors, institutions, traders, corporations, widows and orphans, employees and officers have participated in the prosperity of the General Motors Corporation through purchase of its stock at one phase or another of its remarkable advance. To use an expression that is perhaps more accurate than elegant, these people have made a tremendous "killing"—whether their profits are still of the paper variety or whether they have since been converted into cash. As the term implies, they "made" more than merely a profit—they actively engaged in one of the biggest moves in speculative history; they have won the admiration of other stock market traders, the praise of their friends and the envy of their neighbors.

Looking for More

Particularly for those who happened to come in for the big move in the spring, it is unthinkable that now they should retire into obscurity. Life would certainly be a dull affair without this stimulating stock market tonic or some equally thrilling substitute elsewhere in the stock exchange list. It is true, of course, that some sophisticated traders, quietly folded up their tents and retired in the night like the proverbial Arab. But the great majority of the public following, having had its taste of a big market profit, is looking around for more. If they are buyers of motor shares, naturally the motor stock that is going up the most points per day is bound to attract their attention. Or, when the old favorite regains new strength and begins again to advance in price (as happened in this case) many of the prodigals return to the fold for the fatted calf.

In the shifting of trading interest from General Motors to Chrysler, that the commentators called so much atten-

tion to a few weeks ago, there were other factors involving fundamental changes in the two corporations called to light, but these, when subjected to careful analysis, are seen to play a minor role in comparison with the important psychological factor described above. For example, the current earnings reports of the great motor car company certainly furnish no grounds for apprehension to stockholders. The net income available for dividends reported for the first half of the year was almost 160 million dollars, a new record figure for all time and an income made possible by the large increase in sales in the first six months of 1928. In the latter division, net sales receipts exceeded 800 million dollars, compared with a total of only 1¼ billion for the full year 1927.

Is the dominating position of General Motors threatened by the return of Ford to large scale production on the new Model A and in a lesser degree by the new consolidation of interests between Dodge Brothers and Chrysler? Investors who formerly had no hesitancy in making commitments in Motors shares at prices which admittedly discounted future prospects, now raise this question as having a bearing on what they term the "immediate future" position of the corporation from an operating standpoint. It will be recalled that when the new Ford model was announced last year, the Ford competition was generally expected to make severe inroads in the low priced field. Long delays occurred in attaining large scale production of the new Ford, however, and its competitors put through a tremendous volume of sales through the inability of Henry Ford to make deliveries to impatient customers. But, Ford is now turning out about 4,000 cars a day and after September 1st, it is expected that the increase in production will be accelerated faster than has been possible up to this point.

Ford's Turning Point

The fact that Ford has now apparently reached a turning point in his production situation has an important bearing, of course, on General Motors future sales activities. The tremendous increase in General Motors sales is predicted largely on the expansion of the Chevrolet and the Pontiac divisions, both of which, but most particularly the former, are under the "sphere of influence" of Ford competition. Whether or not Ford regains his domination of the low priced motor car field, it is going to be much harder to sell cars at this end of the price scale than heretofore and competition has been amply severe even with Ford out of the market. The Dodge-Chrysler combine, in comparison, represents a less formidable competitor in the higher priced divisions, but there is no gainsaying the fact that Walter P. Chrysler with his new mechanical facilities, expanded dealer organization and added financial resources is now in a much stronger position to wrest a larger portion of motor car sales than prior to the merger. And then there is the recent Studebaker-Pierce Arrow merger to consider.

If General Motors Corporation is faced with the possibility of losing sales to these recently revitalized competitors, however, it has other sources of income to offset domestic motor car sales. Without attracting much notice, the export business of the corporation has come to be one of its major divisions within the past few years. This year it is expected that overseas sales will gross about a quarter of a billion dollars. With an investment of over 65 million dollars in the export division, Motors covers 85% of the world's market for automobiles and allied products. The accessories business in both sales and new equipment has expanded a great deal and represents a growing percentage of the great corporation's earning power. Diversification of operations in such divisions as Frigidaire and Delco Light, both of which are expanding tremendously, speaks well for future earning power with a reduced volume of sales of motor vehicles. So there are two sides to this future earning power story—all in all there is little ground for pessimism here.

Politics a Factor

Since General Motors started its spectacular advance, politics have intruded into the situation—without welcome on the part of many of its influential stockholders it must be admitted, but hardly to an extent that forebodes disaster. Since the capable chairman of the finance committee, Mr. John J. Raskob, has undertaken to "run the pool"

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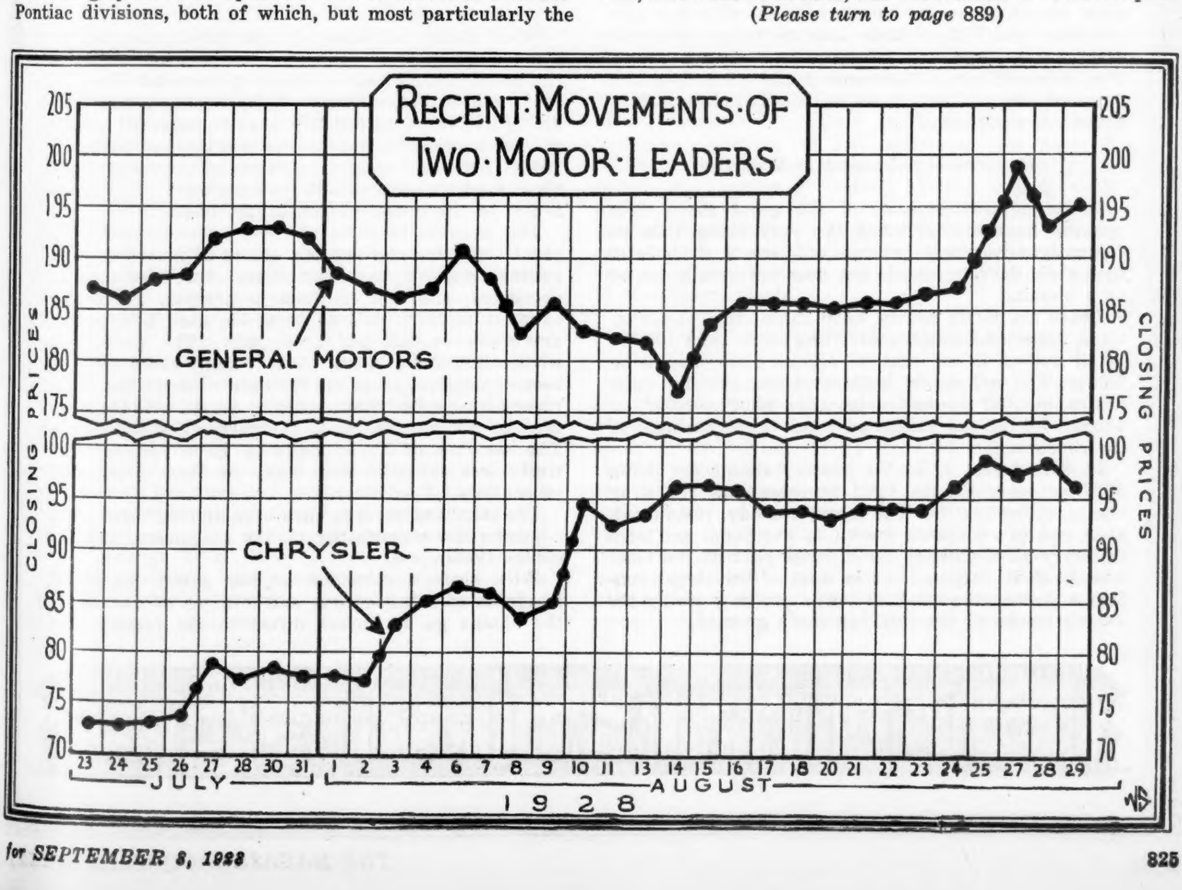


What Is The Cause For The Remarkable Growth Of Chain Store Systems?

A National Problem Created by Rapid Expansion of Chain Stores—Some New Phases of the Situation—Automatic Selling

By G. K. WILSON

NOT many years ago one of the great cries of economic reformers the country over was for lower distribution costs for foods and the other necessities of life. The demand was that this be accomplished largely at the expense of the so-called "middlemen," usually described as mere parasites preying alike on producers and consumers but themselves rendering no essential or independent economic service.

Elaborate tables of figures and pages of written arguments were printed in every newspaper to show how little the farmer received for a bushel of wheat or a barrel of apples in comparison with the high prices at which these same articles were sold at the corner store, and the inference was always drawn that this difference represented the vast ill-gotten gains of the middleman whose elimination would be a boon to everybody.

How the Development Is Regarded

In large measure some of our great chain store systems have accomplished the very thing then so fervently advocated—yet we will see a little later that their development is not now universally hailed as a blessing.

There are today nearly 4,000 chain store organizations, large and small, controlling more than 100,000 retail outlets in at least 30 different merchandising fields. The volume of business transacted by these chains in 1927 amounted to some $6,000,000,000, or about 16% of the estimated total retail business of the country.

In our largest cities the grocery chains are doing 50% or more of the total business and the drug chains at least 20%. The tobacco, candy, restaurant, shoe and other chains known to everyone, and seen on every side, account for a large part of the business in their various lines in most of the larger centers and even the smallest towns are now seeing the establishment of the familiar chain grocery.

Moreover, these chains seem to be uniformly prosperous, those well established are setting new records for sales and earnings each month and year and new systems are being organized on every hand. Independent ratailers are feeling ever more keenly the pinch of chain store competition and appeals are made urgently for legislation designed "to put the chains out of business" and to protect the old system of retail distribution but recently so violently attacked. The circle has thus been completed.

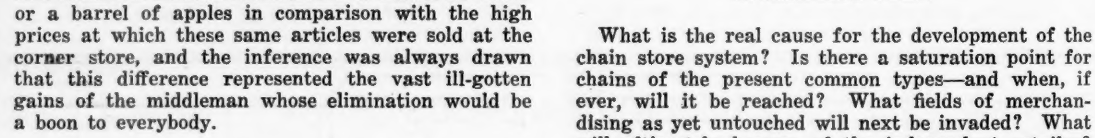
A Saturation Point?

What is the real cause for the development of the chain store system? Is there a saturation point for chains of the present common types—and when, if ever, will it be reached? What fields of merchandising as yet untouched will next be invaded? What will ultimately become of the independent retailer? What is the real investment merit of the many chain store stocks now available to investors? These are a few of the questions constantly asked.

The answers to some of these questions are comparatively easy and definite, others of necessity more general and vague. The chain store system has prospered, and will continue to prosper, simply because it meets a definite economic need better than any other system yet developed. The middlemen wholesalers and jobbers, have in many cases actually been eliminated, often via the hard route of the bankruptcy courts, but that is only in accord with the stern laws of nature relative to the survival of the fittest. The services of the middlemen have become relatively less essential and many of them must seek other lines of activity.

The resulting savings have been divided three ways —among the manufacturers, the consumers, and the chains themselves.

With their tremendous buying power, based on hundreds of retail outlets and millions of customers, the chains go as buyers direct to the factory—the



small dealer must cover the jobber's profit when making his purchases and it follows that his selling price must be above that of his chain store competitor. The only course open to independent retailers seems to be to band together for buying purposes, following the example of the chains in going direct to the manufacturer and thus securing the best prices possible, and then giving superior personal services and credit accommodations to customers who are willing to pay a somewhat higher price for such things. Another field is in carrying specialty goods not commonly stocked by the chains, as they usually feature staple goods having a rapid turnover at a narrow margin of profit.

Small Retailer's Field Restricted

At best the field of the small retailer seems to be becoming constantly more restricted and the premium placed on personal service and initiative constantly greater.

Many of the larger chains have gone extensively into the business of manufacturing the products they sell. Nearly all the large grocery systems such as the Great Atlantic and Pacific Tea Company and the Kroger Grocery and Baking Company control bakeries supplying their own bread, factories where their own brands of canned vegetables and fruits are prepared and great farms and orchards where fresh vegetables and fruits are grown. In other cases, factories are leased or the whole or a large portion of the output is taken under contract and the product prepared for the chains under their own specifications packed in distinctive packages and containers.

Sometimes, factory owners have built up chains of their own to dispose of their wares, the Regal Shoe Company, for example, sells its product from coast to coast through its own retail stores. The Schrafft and the Happiness chains of candy stores and restaurants as well as the familiar Childs system are examples of retail outlets operated in connection with production activities.

The recent merger of the United Drug Company controlling a great system of retail drug stores with Sterling Products, Inc., the largest producer of household medicines and allied specialties has combined the manufacturing and selling organizations of these two great enterprises and has greatly strengthened the competitive position of both members of the combination.

In general, department store merchandising chain store methods and organization are making notable advances. In some instances, groups of stores handling similar lines of goods merely maintain joint buying facilities at large central markets for the purchase of certain commodities, the several stores otherwise retaining full independence in policy and operation. In other cases, like Associated Dry Goods and May Department Stores, holding companies control a number of stores operating in different localities, chain methods being applied so far as practicable for the sake of lowering cost prices through large scale buying and reducing administrative expenses through centralized executive offices. Other successful retail units, such as R. H. Macy & Co., Inc., control and operate subsidiary or branch stores, again for the purpose of gaining, so far as possible, the advantages of chain store economies.

The success of chain store methods in the control of widely separated general department stores is not yet so fully demonstrated as in many other lines, and substantial difficulties must yet be surmounted. Great stores of this type usually try to develop and maintain considerable individuality, uniform stocks have not proven equally saleable in all communities. Chain store methods are easily applied to staple goods which are in demand everywhere, but for department stores these must be supplemented by specialty goods particularly suited to local needs and tastes, while a very high premium attaches to the personal initiative and ability of the individual management.

Automatic Selling

Montgomery Ward & Co. and Sears, Roebuck & Co. are very actively developing chains of retail stores to supplement their mail order business and the success of this policy is being proven by the new records in sales and profits from month to month constantly reported by these great organizations since this expansion was undertaken. The outlook is for continued growth and further success along the same lines as chain methods are admirably suited to the types of goods and the class of business handled by the typical mail order house.

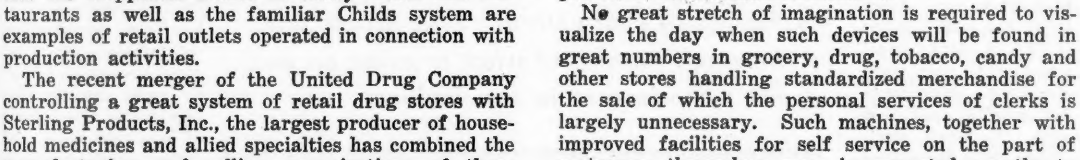
Another comparatively recent innovation which undoubtedly will, in time, have far-reaching effects on chain store development, and indeed upon our entire system of retail merchandising, is the automatic vending machine or the "robot." An example is the device already perfected which, upon the deposit of a coin and the pressure of a button, mixes before the eyes of the customer his favorite soft drink, delivers it to him and then speaks a few words of thanks for his patronage. Simpler machines are used for the sale of all manner of small articles easily packed in standardized containers.

No great stretch of imagination is required to visualize the day when such devices will be found in great numbers in grocery, drug, tobacco, candy and other stores handling standardized merchandise for the sale of which the personal services of clerks is largely unnecessary. Such machines, together with improved facilities for self service on the part of customers themselves may be expected greatly to reduce the routine of selling, cutting selling costs and making it possible for a very few persons to conduct the business of a large store. A most significant fact is that these devices fit particularly well into chain store methods of business and should benefit them particularly.

Cardinal Principle of Chain Store Success

The cardinal principle upon which the success of the chain store merchandising rests is the reduction of prices to the customer, possible because of large scale, direct buying, lower costs of administration through centralized executive offices, elimination of expensive charge accounts with attendant losses and costly credit organizations and the curtailment of delivery and other similar services. A rapid turnover of staple goods on the lowest possible profit margin and upon a cash and carry basis is the aim.

It has been claimed by chain store men that such systems sell goods, on the average, at prices as much



as 20% below those asked for the same articles by independent retailers in the same community. Opponents of the chains hotly dispute such statements and declare that there is really no saving whatever, that a few "leaders" are advertised and sold at or below cost prices in order to attract customers to the stores only to be overcharged on other purchases with the result that all apparent savings are cancelled. It is also claimed that many products handled by the chains are of inferior quality.

Arguments Against Large Systems

The truth undoubtedly lies somewhere between these extreme views. High grade standard products, brands known to all, are carried by most chain stores, and at prices enough below those of most of their independent competitors to attract and hold a tremendous volume of business. Part, but certainly not all, of the savings resulting from chain economies are passed on to the consumer.

Numerous other arguments are advanced against the large systems. It is said that they drain the small community of its money for the benefit of far away interests, while the local dealer spends his money at home. This is, of course, largely untrue as most of the money taken in is paid out again in wages and rents, salaries of managers and for other running expenses exactly in the same manner as that taken in by the local dealer. Only a very small amount, relatively speaking, represents net profits, and this sum, in large part, comes from the actual savings to customers. It is also said that chain store managers and employees have no local spirit or interest in community affairs and that the local independent, however inefficient and costly his methods, is a bulwark of strength to the town and should be preserved at all costs. The facts are that many of the managers and practically all other employees are local men with as much civic pride as any other citizens. At all events there can no longer be any doubt but that chain stores are here to stay, laws discriminating against them have been declared void and unconstitutional and the local dealer must meet their competition by cutting his prices as low as possible and by being ever on the alert to offset any price margin by superior personal service and other accommodations.

Just how far the chain movement will spread cannot, of course, be definitely foretold. Many close observers hold that in about five years' time the present era of rapid expansion and mergers will be completed for chains of the present common types, and that after that a few great systems will dominate the field, covering all suitable territory quite fully and competing among themselves for the business. The spread into new fields seems to be limited only by the ability to find new products, preferably of a non-perishable and standardized type, having a sufficiently broad and stable market to make chain methods profitable.

Spectacular Market Profits

With a record of uniform success not easily matched in any other line of business it is not surprising that, as a group, stocks of chain store enterprises have regularly sold at high prices based on current earning power and income return. Cash dividends have usually been meager, earnings being used for expansion, but spectacular profits have been realized through stock distributions and split-ups and by appreciation in market price when investors have held these issues for the long pull.

Will this story be repeated, and will those who buy chain store stocks today reap similar returns? These are the questions investors are asking, but, like most inquiries applying to an entire class of securities they cannot be answered as broadly and directly as might be desired. It may safely be stated, however, that nothing now in sight indicates any lasting or general reversal in the established trend. Based on sound economic principles the chains will continue to grow and prosper and gains in earnings will be reflected in market prices of their stocks.

Like other industries, when the saturation point in their fields approaches, competition will become keener and profits will be smaller relative to the volume of business done. As expansion becomes less rapid the premium placed on stock values by discounting further growth is bound to diminish—but that point still appears to be too far away to have any present bearing on price levels of most issues in this particular group.

A Sound Investment Principle

No more than other classes of securities can chain store stocks be bought "with your eyes shut," nor can they safely be "put away and forgotten." Only stocks of concerns doing a business which is clearly well adapted to chain store methods and those of companies soundly capitalized and well managed and not too greatly over-valued in the market on the basis of present earnings and definite near term prospects should be selected, and even then the trends of the business must always be carefully and intelligently followed. When bought with discrimination, particularly when available after reactions due to general market breaks, no class of stocks appears more likely to yield handsome profits to the investor who is willing to recognize that patience is an important requisite.

NO business development in recent years has been more spectacular than the remarkable growth of our chain store systems. The chain store field now practically cuts across the entire merchandising system. Bitter comment is heard from the small, independent store owners but the trend seems definitely in favor of further expansion of chain stores. This article gives a thorough picture of what is going on and draws some important conclusions.

[*See Table on Opposite Page*]

Interesting Data on Ten Chain Stores

Company		Number of Stores	Sales	Net Income	Earnings per Share
Associated Dry Goods Corp........	1925	8	N. R.	$4,134,941	$4.73
(Stock—Relatively sluggish market, but attractive holding for long pull.)	1926	8	N. R.	3,823,721	4.21
	1927	8	N. R.	3,330,220	3.39
Great Atlantic & Pacific Tea Co.					
(Years ended Feb. 28)	1926	†	$420,000,000	11,974,260	5.49
(Stock—Principal appeal now lies in promising prospects for long term growth.)	1927	†	Est. 500,000,000	13,983,881	4.21
	1928	17,000	Est. 700,000,000	18,411,119	8.23
Kresge (S. S.) Co.................	1925	304	105,965,610	11,809,260	3.17*
(Stock—Limited attractiveness for nearby enhancement, but unquestionably sound long pull investment.)	1926	367	119,218,005	12,504,442	3.36
	1927	435	133,847,476	13,977,066	3.76
Kroger Grocery & Baking Co.......	1925	2,856	116,235,436	3,327,839	3.03
(Stock—Now more attractive for long term than immediate market possibilities in view of recent advance.)	1926	3,369	146,009,373	4,131,925	3.82
	1927	3,749	161,261,354	4,377,104	4.12
May Department Stores					
(Years ended Jan. 31)..........	1926	5	97,117,891	6,800,312	6.20
(Stock—Sound investment seemingly somewhat out of line with others in group.)	1927	5	100,522,928	6,952,101	6.36
	1928	6	102,756,197	6,498,927	5.57
McCrory Stores Corporation.......	1925	183	29,593,208	2,298,684	4.26
(Stock—Promising possibilities, though now more largely of longer range type.)	1926	199	33,596,853	2,390,911	4.80
	1927	220	39,336,090	2,623,803	5.26
Montgomery Ward & Co..........	1925	8	170,592,642	11,358,498	8.40
(Stock—Recent marked rise suggests advisability of postponing new commitments for time being.)	1926	†	183,800,865	8,806,299	6.25
	1927	57	186,683,340	13,127,431	10.25
Sears, Roebuck & Co.............	1925	8	258,342,236	20,975,304	5.22*
(Stock—In practically same position as Montgomery Ward.)	1926	†	272,699,314	21,908,121	5.22
	1927	24	292,927,257	25,022,553	5.96
Shattuck (F.C.) Company.........	1925	†	11,493,401	1,210,113	4.03
(Stock—Long range outlook encouraging though immediate prospects limited by marked advance of late.)	1926	†	13,247,470	1,314,440	4.38
	1927	30	15,535,805	1,851,974	5.29
Woolworth (F.W.) Co............	1925	1,423	239,032,946	24,601,765	6.30*
(Stock—Manifestly more desirable for long term investment than on basis of nearby speculative possibilities.)	1926	1,480	253,645,124	28,204,928	7.10*
	1927	1,581	272,754,046	35,350,474	9.06

*Reduced to basis of present capitalization. †Not available. N. R. Not reported.

BONDS

A Cross-Section of the Bond Market

What an Analysis of Recent Bond Market Declines Reveals—Types of Issues Which Were Hit the Hardest—The Outlook

By WILLARD WHITNEY

THE bond market in the first seven months of this year dropped, according to the average price of forty corporation bonds, 3.63 per cent. The market value of bonds in this same period, if equipments, municipals, foreign governments and United States Governments (five of each) be added to the averages of the forty corporate bonds, slipped 3.90%. A study of a list of 300 miscellaneous bonds, including all of the aforementioned groups, reveals that the bond market in the first seven months of this year tapered 4%.

This mean that today a dollar will buy four cents more worth of bonds than it would the first of the year. A bank starting 1928 with a bond portfolio of $1,000,000 finds the market worth of its bond box has shrunk to $960,000.

Depreciation in the market value of national banks' bond holdings may have reached $85,125,620. This assumes that half of the $4,256,281,000 in the item "other bonds, stocks and securities owned" as contained in the Comptroller of Currency's report of June 20, 1928, represents bonds. This $85,125,620 market loss takes no account of the depreciation this same group of banks suffered in the $2,891,-167,000 of United States Government securities owned.

Table I
Important Declines in Bond Averages

Period	Combined Averages	Legal Rails	Second Grade Rails	Utilities	Industrials
1917..........	14.61	17.17	18.23	15.92	10.19
1920..........	18.76	20.57	20.27	20.54	11.27
1923..........	6.89	8.95	8.88	3.51	2.99
1928..........	3.63	6.34	4.46	2.03	3.14

Approximate Market Loss

A veteran investment banker declared "the commercial banks of this country hold $5,000,000,000 of long-term bonds." Their present market loss, therefore, approximates $200,000,-000.

The present fall in bond values, however, is slight compared with other slumps during the last eleven years. Bond averages in the 1917 decline plunged 14.61% and catapulted 18.76% in the 1920 depression. They dropped 6.89% in the 1923 crash. Nor is the 1928 descent as sharp in point of time, for it took 7 months to bring a 3.63% drop in corporate bond values. The 1923 smash—the most violent—happened within 6 months while the 1917 and 1920 depressions required 12 and 20 months respectively.

The 1928 bond recession differs in character as well as extent. Taking the average price of forty corporation bonds again as a guide we find that the legal rails, as in the previous two declines, suffered the severest setback, but utilities this time as compared with 1923 have suffered less. Utilities and industrials, in fact, have switched places.

The accompanying Table I shows four periods, the decline in percentage of the combined averages and of their components.

What does the 1928 decline indicate to investors? Nine groups of bonds, each consisting of five issues, were studied. Their yields as of Jan. 6 were compared with their Aug. 23 yields. Each of these groups gave the investor a higher yield on the latter date than on the former; conversely, its market price declined. The percentages of decline, in groups of five, as based on the yields, follow: United States Government .1; equipments .09; legal rails .07; municipals .07; prime utilities .06; industrials .05; second-grade rails .04; second-grade utilities .02 and foreign governments .008%.

Where Declines Have Been Largest

The order of reflux in the above list is exactly what may be expected due to tightened credit conditions. The widest recessions have occured in the groups most closely related to money rates, because the declines have been primarily effected through the desire of holders of best-grade securities to turn funds invested in such obligations into more profitable channels.

Banks of this country are heavy holders of United States Governments and they own a relatively small amount of foreign government bonds. This explains, in a large measure, why United States Governments declined .1% and foreign governments but .008 in seven months. Prime securities are usually the first to decline and recover, as their holders—usually the best-informed and most conservative in financial communities—are quickest to sense changing credit conditions. Prime securities usually have a wider break in a short cycle, but over a long period of years they fluctuate less than second-grade securities, because, being a first claim on earnings, they are less susceptible to changes in earning power than are junior obligations.

Causes for Dear Money

Take a list of bonds in any of the above nine groups and you will find exceptions to the general trends, due to specific conditions. A legal rail has declined only a half point but more than 90% of this issue is owned by a few insurance companies and estates. Many bonds are callable and their call prices, acting as pegs, keep them from wide upswings. If such bonds go much below their call quotations the company finds it advantageous to purchase them. Operations of sinking funds also narrow fluctuations. Improvements in an industry, fertilizer for example, has enabled the retirement of bonds at a rapid rate and improved the price of the group thereby. Depression may hit a group far more severely than average trends indicate. This is true of southeastern carriers; some of their

legal obligations have crashed eleven points through shrinkage of earnings.

Disregarding exceptional s w i n g s, caused by specific conditions, bond averages show prime obligations have declined the most because of tighter credit. Dearer money largely has been brought about by four causes: (1) Brokers' loans have increased $1,033,-000,000; (2) Federal Reserve Banks are lending $600,000,000 more to member banks in rediscounts; (3) gold exports approximate $500,000,000 thus withdrawing potential credit of ten times that amount and (4) the Federal Reserve Banks have sold more than $200,000,000 of United States securities.

When a corporation or bank can put money in the call market at an average rate of 6.75%, the securities it owns yielding only 3.75% are sold first. The securities showing the second-lowest yield are disposed of next, and so on. This is equally true of a bank borrowing at the Federal Reserve Bank. The borrowing member bank can afford to hold United States Governments yielding 3.75% when the rediscount rate is 3%, but it cannot hold such low-yielding bonds when the rediscount rate is raised to 5%. Banks, of course, always carry a certain amount of Governments for rediscounting and as a secondary reserve. A higher rediscount rate means that a member of a Reserve bank will reduce its borrowings as rapidly as possible, and, in so doing, sell its low-yielding securities. Conversely, as the high-yielding or speculative securities pay for their keep they will be sold last.

Since banks sell their least profitable bonds and retain those with the highest yields, it is interesting to compare the average bond declines with the simultaneous average money rate increases. The following table shows the percentages of decline in forty corporation bonds and of the increases taking place in the average renewal rate of call money, as well as in 90-day loan rates during such bond declines.

Period	Bond Decline	Call Money Rise	90-Day Loan Rate Increase
1917	—14.61%	+3.17%	+2.61%
1920	—18.76%	+1.32%	+2.50%
1923	— 6.89%	+ .73%	+ .78%
1928	— 3.63%	+2.50%	+1.78%

Based on these relationships one might deduce that present bond prices are entitled to a further reaction in view of the increase in money rates. This relationship between bond quotations and money rates, however, explains why some groups of securities are harder hit by high money than are others. An examination of each of the nine aforementioned groups, together with some of the special factors operating on their quotations, will throw further light on their relative market declines.

United States Governments were subjected to the open-market operations of Federal Reserve banks, which sold them in order to restrict credit. Corporations sold their Governments as business taxes were low-

(*Please turn to page* 884)

[Table II]

The Extent of Recent Bond Declines

The following table gives the price of 27 bonds and their yields on January 6, about a week before prime issues showed signs of softness, their quotations and yields on August 23, and the loss in points or gain in yields between those two dates:

Security	January 6 Price	January 6 Yield	August 23 Price	August 23 Yield	Loss in Points	Gain in Yield
United States Governments						
Treasury 3½% notes, 1932........	101.20	3.49	97.90	4.996	—3.30	+1.50
Treasury 4s, 1944-54	110.23	3.18	106	3.51	—4.23	+.33
Treasury 3¾s, 1946-56	107.29	3.18	98.30	3.50	—8.99	+.32
Railroad Equipments						
Balt. & Ohio* 4½s-5s, 1928-33	.....	4.20	.....	4.75	.....	+.55
Louis. & Nash.* 4½s-5s, 1928-38..	.....	4.20	.....	4.65	.....	+.45
New York Cent.* 4½s,-5s, 1928-39.	.....	4.20	.....	4.65	.....	+.45
Municipals						
Buffalo 4¼s, 1962*	.....	3.75	.....	4.10	.....	+.35
Milwaukee 4½s, 1945*	.....	3.90	.....	4.25	.....	+.35
Maryland 4½s, 1942*	.....	3.80	.....	4.05	.....	+.25
Legal Railroad Bonds						
Atchison gen. 4s, 1995............	93⅜	4.06	93½	4.30	—4⅞	+.24
Penn. cons. 4s, 1948	93½	4.07	93½	4.49	—5.00	+.42
Un. Pac. 1st 4s, 1947.............	98⅜	4.08	94½	4.44	—3⅞	+.36
Second-Grade Rails						
Mo. Pac. 5s, 1977	102¼	4.88	99	5.05	—3¼	+.17
Erie 5s, 1967	98⅜	5.06	95¼	5.29	—3⅛	+.13
Sou. Ry. 5s, 1994	113½	4.36	108¾	4.58	—4¼	+.22
Prime Utilities						
N. Y. Tel. 4½s, 1939............	102¼	4.21	99⅞	4.51	—1⅞	+.30
Phila. Elec. 4½s, 1967	100¼	4.49	98¾	4.57	—1	+.08
A. T. & T. 5s, 1946	105¼	4.56	104½	4.65	—¾	+.09
Second-Grade Utilities						
New Orleans Pub. Ser. 5s, 1952...	99	5.07	96¾	5.24	—2¼	+.17
Ind. P. & L. 5s, 1957............	100½	4.98	99	5.07	—1½	+.09
Utah P. & L. 5s, 1947............	101½	4.79	100½	4.95	—1	+.16
Industrials						
U. S. Steel 5s, 1963.............	108⅞	4.49	106¾	4.60	—2⅛	+.11
Am. Smelt. & Ref. 5s, 1947.......	101⅛	4.84	102	4.83	+⅛	—.01
U. S. Rub. 5s, 1947	96	5 34	86	6 29	—10	+ 95
Foreign Governments						
Belgium 7s, 1956	106½	6.49	105¾	6.57	—¾	+.08
German 7s, 1949	106½	6.43	106½	6.42	—	—.01
Jap. 6½s, 1954	101⅜	6.38	101¾	6.35	+⅜	—0.3

* Quoted on ask yield basis.

United Drug 5s, 1953

A Sound Long-Term Investment

Company in Strong Financial Position—Earnings Growing —Bonds Now 5 Points Lower Than High for Year

By W. JONES

IN accordance with the policy followed of late by a number of prosperous companies, the United Drug Company elected to take advantage of the exceptionally low standard rate of return on investment securities prevailing last year and during the early part of the current year, and adjust its capitalization in a manner to reduce capital charges ahead of the common stock. Although involving the substitution of funded debt for preferred stock, a procedure which formerly would have been considered financially unsound, it provides the only means of accomplishing the specific purpose, for the greater income assurance offered by compulsory interest obligations is the principal factor making possible a marked reduction in the rate of interest. Furthermore, the disadvantages usually associated with a large funded indebtedness assume much less importance in the case of a company whose business is inherently stable and whose earnings over a period of years have exceeded by a substantial margin the aggregate interest charges now created. It is not a practice to be recommended where any question at all exists as to ability to meet interest requirements or as a steadfast policy, but otherwise it may be regarded as an interesting and unique device adapted to special conditions recently existing.

New Holding Company

Revision of United Drug's capital structure occurred almost simultaneously but had no direct connection with the unification of control of the company with Sterling Products, Inc. Control of both enterprises through 100% ownership of the common stocks is embodied in a new holding company under the name of Drug Incorporated, whose common stock is now the only vehicle for public participation in the junior equities, but the new issue of 5% bonds maturing in 1953, with which this article is particularly concerned, is an obligation of United Drug and not of the holding company as such.

It was offered, not to the public, but to holders of the first preferred stock on the basis of $60 face value in bonds for each $50 par value of preferred. Another unusual feature was the manner in which the preferred was eliminated. Other companies in replacing senior stocks with bonds, in order to effect a saving in annual charges, have usually called the stock for redemption and offered the bonds in the regular way, but in this case United Drug Co. (of Massachusetts) was liquidated and its assets and business acquired by United Drug Co. (of Delaware). The first preferred was redeemable at $60 a share, but its liquidation value was only $50, the par value. As a consequence, the alternative offer of $60 in bonds in lieu of $50 in cash was so advantageous as to absorb the great bulk of the 40 millions authorized amount of bonds. The refinancing program also involved the retirement by redemption of 12.5 million 6% bonds formerly outstanding, the requisite funds being provided by quick assets, sale of the unabsorbed balance of the 40 million 5% bonds and of 5 million short-term serial notes. Substantially all securities other than common stock of companies controlled by Drug Incorporated, then, are in the form of bonds bearing a 5% coupon rate, and likewise are obligations of United Drug.

United Drug Co.

United Drug 5s, 1953	$40,000,000
Other Funded Debt (including real estate mortgages)	6,660,349
Approximate annual interest charges on present funded debt	2,350,000

	Income available for interest (millions)
1918	4.6
1919	5.3
1920	4.5
1921	1.2
1922	4.5
1923	5.4
1924	7.9
1925	7.4
1926	8.1
1927	7.5

United Drug is engaged in the manufacture of drug store merchandise and accessories, also distributing its own and other products at both wholesale and retail. The retail end of the business constitutes the most extensive drug store chain in the world. It functions through the wholly-owned Louis K. Liggett Co., operating about 500 stores in this country and Canada, through a controlling interest in Boots Pure Drug Co., Ltd., operating 800 stores in Great Britain, and through around 10,000 Rexall stores in the United States, England and Canada, operated by stockholder agents. The new affiliation, Sterling Products, Inc., takes no part in retail activities but adds many well known medicinal products to the manufacturing end of the combined business, and should be the means of enhancing net revenues through economies effected in manufacture, raw material purchases, and advertising. With the exception of 1921, the year of general business deflation, earnings of United Drug in every year during the last decade have been equal to at least twice annual interest requirements on the newly created 45 millions of funded debt, which, outside of 1.66 million in real estate mortgages, now constitutes the entire funded debt, and in the last four years available income has amounted to between three and four times such charges.

Features of the Issue

The long term 5% bonds maturing in 1953, which comprise 40 millions out of the 45 millions indebtedness, are in reality, although not so termed, a debenture issue, being a direct obligation without mortgage security. Subject to certain exceptions not vital in character, it is provided that no mortgage or other lien on any property or asset may be created without equally securing the issue with other obligations secured thereby, and there are also limitations on the power of subsidiaries to create mortgages. $750,000 par value of bonds are to be retired annually by sinking fund, but its operation does not commence until 1934. Bonds are redeemable, as a whole, or in part and for sinking fund at 105 until September 15, 1936, the price declining 1% every fourth year thereafter; it becomes 101½ from September 15, 1948, to September 15, 1951, and 100 thereafter until maturity in 1953. Redemption provisions assume considerable importance as it is the known desire of the management to eliminate funded debt entirely as soon as possible.

Conclusion

The position of the company financially is uniformly satisfactory. Current liabilities are for the most part confined to current accounts payable, and the amount of the latter is generally equaled by the cash item alone. The ratio of current assets in toto is about

six to one. The bonds at this writing are quoted around 95 to yield nearly 5.4% as compared to a high for the year of 100¼. *At such levels they are well worthy of investment consideration in view of the financial and earnings stability of the company, without regard to the prospective benefits of the recent consolidation.*

WHAT THE ABROGATION OF THE JACKSONVILLE AGREEMENT MEANS TO THE COAL INDUSTRY & COAL CARRIERS

(*Continued from page* 823)

tions as may prove advisable. Such leeway is bound to lighten the burden of the industry and substantially reduce the cost of production.

Moreover, lower costs and unencumbered production programs come at a most opportune time. The huge stocks built up by large consumers such as the utilities, steel mills, coke plants, railroads and manufacturing plants, in anticipation of the strike, had been maintained at unusually high levels for almost a year, notwithstanding the fact that total mine production precluded the idea of actual shortage of supply during the whole period. Indeed, it was the size of the reserve piles which fostered the hand-to-mouth buying practiced so extensively, and to the detriment of the coal producers. Since spring of this year, however, there has been an increasing reduction in bituminous stocks in the hands of consumers. Whereas a year ago the stocks of industry totalled close to 60 million tons, as of July first these reserves aggregated less than 40 million tons, or sufficient for no more than 37 days' supply at the summer rate of consumption.

A Material Broadening in Coal Markets?

In consideration of these lower stocks and the prospective expanding activity in trade and industry this fall, it seems reasonable to look for a material broadening of coal markets in coming months. Although prices will undoubtedly continue to feel the pressure of keen competition and potentially larger output, an uptrend seems likely which with larger sales volume should result in improved earnings for the well managed companies in all fields, but particularly in the Middle West.

Another important consideration is the effect that larger tonnage will have on some of the railroads to whom coal is a major freight commodity. Bituminous shipments have so far consistently run behind last year, but with broader demand and a quickened industrial pace, such roads as Chicago and Eastern Illinois, Illinois Central, Chesapeake & Ohio, Norfolk & Western and Baltimore & Ohio seem destined for "larger volume of business and concomitant increase in revenues."

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

Government

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Panama 5½s, 1953....(a)	....	...	102½GT	102⅜	5.3	5.3
Dominican 5½s, 1942....(a)	....	...	101G	99	5.6	5.7
Haiti 6s, 1952....(b)	....	...	100	100	6.0	6.0
Argentine 6s, 1959....(a)	....	...	100	99⅝	6.0	6.0
Chile 6s, 1960....(a)	....	...	100	94	6.4	6.4

Railroads

Atchison, Top. & S. F. Conv. 4s, 1955..	267.4	4.75	110	89	4.5	4.6
Rock Island-Frisco Terminal 1st 4½s, 1957....(d)	....	X	102½T	96	4.6	4.7
Illinois Central 4¾s, 1966....(a)	....	2.25	102½GT	99	4.8	4.8
Pennsylvania 5s, 1964....	....	2.78	105T	103	4.8	4.8
Central Pacific Guar. 5s, 1960....(a)	....	2.58	105GT	101	4.9	4.9
Southern Railway Dev. & Gen. 6s, 1956.	133.8	1.90	....	114	5.2	5.0
Great Northern Gen. A 7s, 1936....(b)	139.8	2.64	....	113	6.2	5.0
Missouri Pacific 1st & Ref. 5s, 1977..(a)	125.2	1.32	105A	99	5.0	5.1
N. Y., Chic. & St. Louis Ref. 5½s, 1974....(a)	59.6	2.49	107½	106	5.2	5.1
Cuba R. R. 1st 5s, 1952....	....	3.07	....	97	5.1	5.2
Western Pacific 1st 5s, 1946....(b)	....	2.29	100	98	5.1	5.2
Central of Georgia Ref. 5½s, 1959....	31.1	1.80	105AG	105	5.2	5.2
Chesapeake Corp. 5s, 1947....	....	2.45	100	98	5.1	5.2
Chic. & W. Indiana 1st Ref. 5½s, 1962.	49.9	X	105	105	5.2	5.2
Wabash Ref. & Gen. 5½s, 1975....(a)	62.4	2.02	105AG	103½	5.3	5.3
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952....(b)	13.9	X	107½T	110	5.5	5.3
Northern Pacific Ref. & Impr. 6s, 2047....(a)	166.7	2.32	110G	113	5.3	5.3
Minn., St. Paul & S. S. M. 1st 4s, 1938.	....	1.17	....	89	4.5	5.5
Baltimore & Ohio Ref. & Gen. 6s, 1995....(a)	284.2	1.56	107½AG	108½	5.5	5.5
Vicksburg, Shreveport & Pac. Ref. 6s, 1973....(d)	2.0	X	107½AT	104	5.7	5.7

Public Utilities

Pacific Gas & Elec. Gen. Ref. 5s, 1942..	34.6	1.95	105T	101	4.9	4.9
Utah Power & Light 1st 5s, 1944....	....	1.86	105	100	5.0	5.0
Columbia Gas & Elec. Deb. 5s, 1952....	....	6.96	105T	100	5.0	5.0
Montana Power Deb. 5s, 1962....(a)	34.7	2.62	105T	99	5.1	5.1
Consol. Gas of N. Y. Deb. 5½s, 1945.(a)	....	4.09	106T	105	5.2	5.1
Hudson & Manhattan 1st Ref. 5s, 1957....(b)	5.9	2.11	105	99	5.1	5.1
Detroit Edison 1st & Ref. 6s, 1940..(b)	14.0	2.41	107½T	108	5.6	5.1
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.69	....	99	5.1	5.2
Consol. Gas E. L. & P. of Balt. 1st Ref. 6s, 1949....(a) (c)	32.2	2.69	107½T	106	5.6	5.5
Seattle Electric—Seattle Everett 1st 5s, 1939....(d)	....	1.76	105	74	5.3	5.7
Phil. Rap. Trans. 6s, 1962....(c)	10.0	1.21	105	104	5.8	5.7
Amer. Water Works & Elec. Deb. 6s, 1975....(a)	12.7	1.33	110	104	5.8	5.8
Twin City Rap. Transit 1st & Ref. 5½s, 1952....(b) (d)	4.4	2.30	105T	94	5.8	5.9

Industrials

Gulf Oil Deb. 5s, 1947....(c)	....	15.39	104AT	100	5.0	5.0
Youngstown Sheet & Tube 1st 5s, 1978....(a)	....	4.12	105T	100	5.0	5.0
Allis Chalmers Deb. 5s, 1937....(a)	....	4.80	103T	99	5.0	5.1
International Match Deb. 5s, 1947....(a)	....	6.16	103T	97	5.1	5.2
Chile Copper Deb. 5s, 1947....(a)	....	6.26	102T	94	5.3	5.5
Amer. Chain 6s, 1933....(a)	....	6.87	105	102	5.9	5.6
Amer. Cyanamid Deb. 5s, 1942....	....	4.10	100	93	5.4	5.7
Bethlehem Steel Cons. 6s, 1948....	101.3	2.33	105	104	5.8	5.7
Sinclair Pipe Line 5s, 1942....(a)	....	4.27	103	93	5.3	5.7
Loew's Inc. 6s, 1942 (ex warrants)..(a)	....	6.70	105T	100	6.0	6.0
Schulco B 6½s, 1946....(a)	4.0	X	103T	103	6.3	6.2
U. S. Rubber 1st & Ref. 5s, 1947...(b)	2.6	2.60	105A	87	5.8	6.2

Short Terms

Standard Milling 1st 5s, Nov. 1, 1930...	....	4.75	....	100	5.0	5.0
Central of Georgia Sec. 6s, June 1, 1929	31.0	1.80	101AT	100⅝	6.0	5.3
N. Y., Chic. & St. Louis 2nd & Impr. 6s, May 1, 1931....(a)	17.3	2.49	102	100⅞	5.9	5.7
Sloss-Sheffield P. M. 6s, Aug. 1, 1929...	1.6	6.79	105	100¼	6.0	5.7
Georgia, Carolina & Nor. 1st 5s, July 1, 1929....	....	1.28	....	99¼	5.0	6.2

All bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100. Earnings are on five-year average basis unless available only for shorter period.

A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter.

RAILROADS

Northern Pacific Railway Co.

Northern Pacific's Recovery

Strong and Improving Status of Road—Finances in Excellent Condition—Value of Investments—Market Future

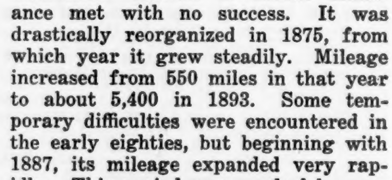
By J. HALE

Table I.—Revenue Statistics, Northern Pacific

Year	Total Operating Revenues	Operating Expenses	Operating Ratio Per Cent	Transp. Expense Per Cent	Net Railway Operating Inc.	Non-operating Income	Net Income	Per Share
1923	$102,002,059	$80,364,809	78.79	37.78	$17,100,556	$11,181,675	$12,981,425	$5.23
1924	95,232,403	70,533,061	74.02	35.88	19,861,076	11,483,431	15,970,244	6.44
1925	97,864,554	69,972,476	71.50	34.27	22,227,319	11,079,164	17,944,287	7.24
1926	97,351,041	68,260,944	70.12	33.17	24,213,700	12,093,575	21,002,732	8.47
1927	95,574,816	67,854,738	71.00	33.38	22,592,836	11,435,063	18,538,423	7.47

THE better relationship currently existing between the price of agricultural products and manufactured goods should find reflection in a more improved economic status of our farm population, especially in the Northwest. There is a fair possibility that this change may assume a more permanent character, although the transition should be somewhat gradual. A tendency towards more diversified farming in this locality should also facilitate matters. It is for the foregoing reasons that interest centers around Northern Pacific, which is the oldest transportation agency in this region. Events of the past decade would seem to indicate that this carrier is still confronted with difficulties of major importance. Nevertheless, with gross revenues for the first six months of 1928 exceeding any corresponding period since 1924 and also above the average of the past decade, the situation appears more encouraging. Moreover, net railway operating income for the period ending June 30, 1928, is also the highest since 1923.

The company was chartered in 1864 and received a very liberal land grant. This consideration was due to the low value of the latter and the refusal of the Government to grant a money subsidy. Northern Pacific initially was handicapped because of its inability to sell bonds without the consent of Congress, but this restriction was amended later on. Early in its history, Jay Cooke, a prominent financier of that day, became interested in the property with the result that its financing and construction were facilitated. Very rapid expansion and lack of sufficient traffic resulted in the receivership of 1873, when interest on the bonds was defaulted. Efforts to obtain assistance met with no success. It was drastically reorganized in 1875, from which year it grew steadily. Mileage increased from 550 miles in that year to about 5,400 in 1893. Some temporary difficulties were encountered in the early eighties, but beginning with 1887, its mileage expanded very rapidly. This period was marked by considerable expansion of railroad mileage throughout the country. Some of this mileage built by the Northern Pacific Railroad was prompted by the endeavor to forestall competitive systems from extending their lines into what it regarded as its own territory. Again, a rapid rise in the fixed charges and the accumulation of a large floating debt were the cause of difficulties which precipitated the receivership of 1893. The company was reorganized in 1896 from which time the property was developed to its present state.



Territory Served

The lines of the Northern Pacific extend westward from Ashland, Wisconsin, on Lake Superior, and Minneapolis and St. Paul, Minnesota, across the latter state to North Dakota, Montana, Idaho and Washington. Its lines reach such cities as Superior in Wisconsin, Duluth, Minnesota, and Bismarck and Fargo in North Dakota. They pass through Billings, Helena, Butte and Missoula, Montana, and reach via Spokane, Washington, the Pacific coast ports of Seattle, Tacoma and Olympia. Together with the Great Northern Railroad Company, Northern Pacific owns a half interest in the Spokane, Portland & Seattle Railway, a line of heavy freight density, which parallels the Columbia River and affords a more direct route from Spokane to Portland, Oregon. A portion of this road's mileage is the last named state. This carrier originates a substantial tonnage in forest products which is turned over to both of the parent roads. At Laurel, Montana, there is a considerable interchange of traffic with the Chicago, Burlington & Quincy Railroad, control of which is

also jointly held by Great Northern and Northern Pacific. A branch from Manitoba Junction on the main line extends via Grand Forks, North Dakota, to Winnipeg, Canada, where traffic is also interchanged with the Canadian Pacific and the Canadian National Railways. About 54% of the mileage of the system is comprised of branch lines. The largest portion is located in North Dakota. By means of this network of track, it is able to serve the wheat fields of the last named state, the lumber regions of Northern Oregon and Washington and the fruit growing districts of the Yakima Valley. At the close of 1927, Northern Pacific operated 6,669 miles of road, and in addition, 845 miles of second track.

Origin of Freight

Almost 75% of all the revenue freight carried by Northern Pacific originates on its own lines. The average haul per ton is fairly long, being 284 miles in 1927. In this respect, it makes a satisfactory showing in comparison with most of the Northwestern roads. Ton mileage reflects no definite trend since 1923, but has been declining since the beginning of the past decade. In 1916, this item amounted to 7.72 billions and in 1927, 6.57 billions, a reduction of 14.8%. Oddly enough the volume of tonnage transported, of which ton mileage is a function, increased from 21.89 to 23.1 millions, a gain of 5.5%. The shorter haul is largely responsible for the decrease in traffic density. This will be subsequently discussed in greater detail.

Northern Pacific is a granger road, but only 4.25 million tons or 21.1% comprised products of agriculture in 1927. Grain, which amounted to 2.74 million tons, was but 11.8% of the total revenue tonnage. The largest item was products of forests, which in 1927 totaled 36.8% of all the tonnage transported and constitutes the largest group carried. Products of mines which totaled 6.03 million tons last year amounted to 28.8%, the largest item under this classification being bituminous coal. Manufactures accounted for 12.9% and it is encouraging to observe that this item reflects an increase of 27.6% since 1921, when the depression in the Northwest was most severe.

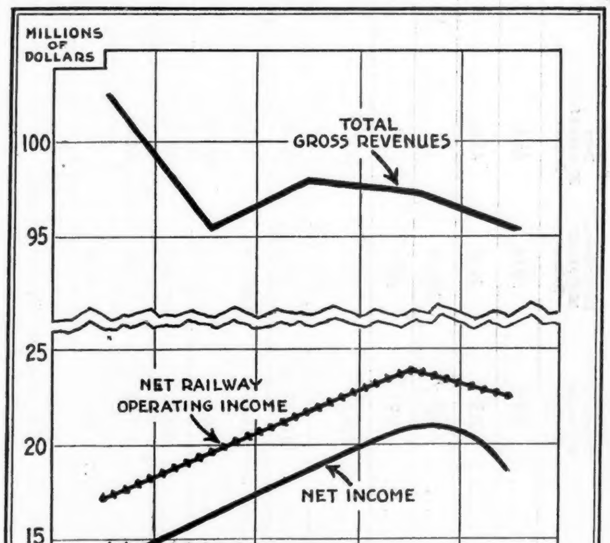
Low prices for farm products following the deflation, seriously curtailed the purchasing power of the population in that region. Since 1923, when revenue tonnage was higher than in any subsequent year, an increase of 4.6% is noted in manufactures, whereas the total tonnage declined almost the same amount. Of the remaining items carried, products of animals and less carload freight comprised 1.72% and 2.3% respectively.

Although forest products constitute the largest group of commodities transported, it will be observed from Table II that the item "Logs, Poles and Cordwood" averages twice the volume of lumber:

Table II. Forest Products Transported

Year		Logs, Poles and Cordwood—Tons	Lumber Tons
1927	....	5,530,389	2,471,536
1926	....	5,807,765	2,701,279
1925	....	5,349,728	2,815,979
1924	....	5,717,603	2,636,058
1923	....	6,122,837	3,148,012

However, hauls of the former item are very short, being from the forests to the sawmills. Moreover, low rates were initiated years ago to encourage the development of the industry in the territory served by Northern Pacific. It was further reasoned that the finished lumber, which is high grade freight, would be turned over to the carrier for the more profitable longer haul. In recent years, this has not been the case, for with the opening of the Panama Canal, a substantial volume of lumber tonnage ordinarily destined for the Atlantic Seaboard and contiguous inland points was diverted via this waterway. While the volume of tonnage thus lost cannot be determined, the steadily increasing canal tonnage would seem to indicate that it is of considerable proportions. It has been argued that Great Northern is able to make a satisfactory showing notwithstanding that its proportion of short haul low grade tonnage exceeds that of Northern Pacific. It must be borne in mind, however, that the largest item carried by Great Northern is iron ore, a commodity which lends itself admirably to low cost operation. On the other hand, logs, etc., do not lend themselves to economical operation since they do not load very heavily per car.



The short haul rate is now being attacked in the courts on the ground that it is confiscatory. A considerable part of the westbound freight movement is made up of empty cars, but in this case also the carrier serving the territory cannot meet water competition. Prior to the war, the railroads were permitted to charge lower rates for freight destined to points on the Pacific coast than to such inland cities as Spokane, Butte, etc., although the actual haul was shorter. This was based on the theory that it was better to carry some freight at, or slightly below cost and thereby meet the water competition, than to move so large a proportion of westbound cars empty. These rates, however, were forbidden by order of the Interstate Commerce Commission. That the loss of this business has been felt rather keenly is evinced by the fact that it consists mostly of high grade freight. The question of revising the rates in western trunk line territory is now before the commission and it is hoped for that Northern Pacific will receive some relief from the present oppressive rates in the form a more equitable structure.

Operating Revenues

Total operating revenue in the past decade reflects a rising though irregular tendency. The latter is due to changes in rates, lower passenger revenues and reduced traffic. Since 1916 Northern Pacific's receipts per ton mile of revenue freight increased 48.5% as against 53% for all Class I railroads in the United States. Due to the severity of automobile competition, passenger revenues have declined steadily since 1923. This decrease amounts to 24%. This appears to be in line with the tendency throughout the country. The rise in operating costs is out of all proportion, however, with the increase in freight rates during the years intervening. However, the management has been able through greater operating (*Please turn to page* 880)

Statistics of Leading Public Utilities

(Balance Sheet Items and Operating Statistics as of Dec. 31, 1927, unless otherwise noted.)

Holding Companies

	Fixed Property M'l'ions of Dollars	Investments Millions of Dollars	Funded Debt Millions of Dollars	Preferred Stock Outstanding (Millions of Dollars)	Common Stock Outstanding (Millions of Dollars)	Gross Earn'gs Entire System 1927 Millions of Dollars	Earned per Share Common 1927	Earned per Share Common 1st half 1928	Annual Dividend Rate	Recent Price
American Gas & Electric	NS	50.66	46.9	396,558(S)	1,943,327(S)	71.7	$6.53	NF	1.00+	175
American Power & Light	NS	74.40	45.8	238,513(S)	1,872,937(S)	62.78	4.66	NF	1.00+	85
American & Foreign Power	NS	108.18	e	1,612,372(S)	1,244,388(S)	15.3	nil	NF	nil	37
American Light & Traction	NS	46.85	e	14.23	52.26	37.14	12.22(d)	6.82	8.00	212
Assoc. Gas & Electric	236.31	58.96	143.79	661,965(S)	1,000,000 A & B 1,283,599(S)	31.32	5.61A	NF	2.00+	49
Amer. Water Wks. & Electric	346.12(h)	....	168.47	20.00	1,361,413(S)	48.73	2.69	2.82 i	1.00+	59
Amer. Tel. & Tel.	216.46	1,639.69	384.10(g)	....	1,103.42	894.70	11.76	6.18	9.00	179
Cities Service Co.	650.5	....	309.29	113.53	85. ($20 par)	158.03	5.47	NF	1.20+	66
Commonwealth Power Corp.	294.96	1.65	116.13	50.0	1,495,503(S)	53.17	4.35	5.18 f	3.00	85
Columbia Gas & Electric	457.08	6.19	61.46	91.25	3,372,226(S)	96.76	5.28	4.28	5.00	118
Electric Power & Light	NS	96.99	e	587,424(S)	1,776,206	52,629	2.09	NF	1.00	36
Engineers Public Service	151.02	....	71.9	320,000(S)(c)	897,950(S)(c)	29.49	0.74(d)	NF	nil	42
Federal Light & Traction	34.74	.23	16.73	39,374(S)	6.45($15 par)	7.01	2.03	NF	0.80+	53
General Gas & Electric	141.56	.75	67.45	146,000(S)	559.992(S)	24.56	3.62	NF	1.50	57
International Tel. & Tel.	99.27	41.77	44.18	....	130.20	37.23	11.07	2.62(a)	6.00	180
Middle West Utilities	NS	124.61	e	910,644(S)	462,079(S)	96.66	15.12	NF	7.00	154
National Elec. Power	104.86	....	65.64	5.06	932,210(S)	18.09	1.82	NF	1.80	25
National Public Service	163.09	1.86	112.47	12.99	770,209(S)	30.55	1.89A	NF	1.60	24
National Power & Light	NS	47.70	9.5	140,295(S)	2,545,738(S)	37.07	1.83	NF	1.00	36
North American Co.	614.7	43.57	315.77	30.33 ($50 par)	4,514,863(S)	122.17	4.06	4.35 i	10% Stk.	75

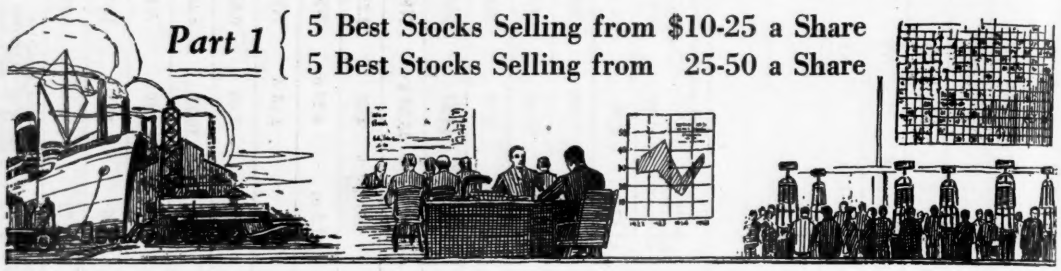
North American Lt. & Power	222.04	7.13	151.01	134,439(S)	600,000(S)	37.62	15.24 pfd	NF	6.00 pfd	92 pfd
Public Service of New Jersey	514.15	2.67	286.91	91.73	4,153,613(S)	115.01	2.21	2.49 f	2.00	64
Standard Gas & Electric	925.63	11.88	489.20	48.27	1,418,803(S)	162.90	4.68	NF	3.50	67
Southeastern Power & Lt.	437.52	.50	225.47	550,619(S)	2,117,138(S)	41.67	2.91	NF	1.00	51
United Light & Power	239.46	NS	163.02	237,258(S)	2,982,691(S)	45.69	2.23	NF	0.48	24
United Gas Improvement	.....	122.22	e	....	106.50 ($50 par)	13.94b	6.28	NF	4.00	139
Utilities Power & Light	199.66	5.99	127.93	16.13	1,238,834(S)	29.18	4.44A	NF	2.00	40

Operating Companies

	Estimated Population Served (Millions)	Total Customers		Sales of Electric Current Millions of K W H	Gas Sales Millions cu. ft.	Electric Railway Passengers (Millions)	Gross Revenues Million $	Earned per Share Common		Annual Dividend Rate	Recent Price
		Electric	Gas					1927	1st half 1928		
Brooklyn Manhattan Transit	6.0	....	....	....	....	928.2	47.47j	6.30	6.62 j	$4.00	67
Brooklyn Union Gas	3.0	....	688.370	....	22,086	....	25.78	7.65	NF	5.00	157
Commonwealth Edison	3.0	906,088	....	3,778	....	....	71.63	12.59	6.69	8.00	183
Consolidated Gas of New York	4.0	1,352,865	1,087,999	2,320	42,503	....	163.28	8.79	NF	5.00	78
Detroit Edison	2.1	510,014	....	2,142	....	....	47.38	11.32	6.97	8.00	206
Duquesne Light	1.4	274,690	....	1,328	....	....	25.72	45.20 k	NF	5.00 k	101
Hudson & Manhattan	....	....	....	....	....	112.3	9.07	4.68	2.25	2.50	58
Interborough Rapid Transit	6.0	....	....	....	....	1,173.6	67.5 m	4.20 m	NF	nil	43
Louisville Gas and Electric	NF	85,773	73,135	234	NF	....	8.8	4.48 A	NF	1.75 A	36 A
Pacific Gas & Electric	2.5	506,987	453,132	1,658	20,215	....	54.72	2.66	0.85(a)	2.00	50
Peoples Gas Light & Coke	3.0	....	887,443	....	38,031	....	39.66	10.81	6.46	8.00	181
Puget Sound Power & Light	1.0	131,192	3,665	NF	101	NF	14.92	7.49	NF	nil	85
Southern California Edison	2.9	379,468	....	2,421	....	....	30.6	3.11	1.61	2.00	49
Western Union Tel.	NF	....	....	....	....	....	131.77	15.06	7.29	8.00	146

a—First quarter only 1928.
b—Holding company only.
c—As of completion of financing authorized April 12.
d—On stock outstanding Dec. 31, 1927.
e—No funded debt of holding company proper.
f—12 months ended July 1, 1928.
g—A. T. & T. proper.
h—Includes investments.
i—12 months ended June 1, 1928.
j—Full year ended June 30, 1928.
k—On 5% Preferred.
m—Year ended June 30.
NF—Not available.
NS—Not segregated from investments.
A—On A stock only.
(S)—Shares.
+ Plus extras in stock.

Twenty Most Attractive Stocks Selected from Four Price Groups

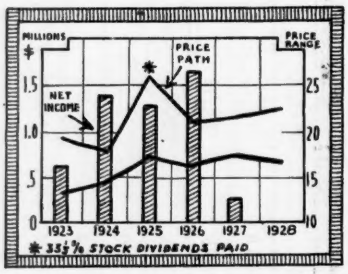


Part 1 { 5 Best Stocks Selling from $10-25 a Share
5 Best Stocks Selling from 25-50 a Share

THE purpose of this feature is to select five of the most attractive stocks from each of four price groups. In this issue, selections have been made from stocks selling at from $10-25 a share and from $25-50 a share. In the next issue, the selections will be made from issues selling at from $50-75 a share and from $75-100. We believe this unique feature will be found helpful by our readers. It is of special interest that each stock selected has had the unanimous approval of our analytical staff. In fact, this was one of the requirements before a stock could be included among this list of special selections.

Stocks Selling from $10 to $25 a Share

Anglo-American Oil Co., Ltd.



ANGLO-AMERICAN is one of the great organizations in the oil industry, an important member of the so-called "Standard" group, and the leading distributor of petroleum products in the British Isles.

The year 1926 was the most prosperous in the history of the company with net profits amounting to £1,635,235, or more than $8,000,000, but like other oil companies the record for 1927 was less successful and net was only $1,000,000. The rapid decline in the market price of crude during 1927 brought about a loss in inventory values amounting to $6,500,000, nearly wiping out ordinary trading profits for the year, but fundamental conditions with the company have remained thoroughly sound and results for 1928 should make pleasant reading for stockholders.

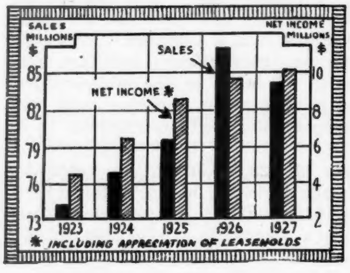
Products now being distributed were purchased at favorable prices and any changes in market levels in the near future should be upward rather than downward and accordingly may be expected to increase profits through adding to inventory values. Sales are reported to be greater than ever before and the outlook is for excellent earnings.

Funded debt amounts to about $17,000,000. There is no preference stock outstanding. Common stock consists of 4,159,245 shares, of £1 par value each. Of this number 1,000,000 shares are non-voting, distributed as a 33 1/3% bonus in 1925.

Cash dividends have been generous, amounting to 97 cents per share on the present stock in 1926 and to $1.33 in 1927. Based on the amount paid in 1927 the yield is 7.4% at the current price of $18 per share. The issue enjoys an active market on the New York Curb.

Anglo-American, being a distributor but not a crude producer, should suffer comparatively little from continued low prices, but should profit substantially from any general improvement in conditions in the industry. *In any case trading profits should be well maintained under current conditions and the stock may be considered a fairly conservative investment, yet one with real profit possibilities.*

United Cigar Stores Co. of America



UNITED CIGAR STORES now handle so great a variety of drugs and miscellaneous articles in addition to tobacco products that the company has become one of the leading retail merchandise distributors of the country. Stores and selling agencies, numbering about 3,300 in January of this year will be increased to 4,000 before 1929, real estate interests are very important and very profitable, and a chain of drug stores using some of the "Happiness" locations as a nucleus is now in process of development.

United has a substantial stock ownership in many other companies among which may be mentioned Beechnut Packing Co., Life Savers, Inc., Philip Morris & Co., and Gillette Safety Razor Co. These alliances enable the company to add to its regular merchandising profits a share of the earnings of the manufacturer whose product it promotes. A similar interest will probably be acquired from time to time in other concerns engaged in businesses suitable for exploitation by United Cigar Stores.

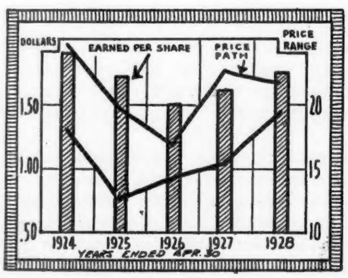
Among other recent developments is the extensive use of automatic vending machines, the first of which to have been installed are said to be highly satisfactory. These machines are manufactured by a company in which United has a considerable stock ownership.

There is no funded debt, capitalization consisting of $19,820,000 6% cumulative preferred and $52,051,310 common, or 5,205,131 shares of $10 par value. The 1927 balance sheet showed a very strong position with net working capital of $31,405,000. Profits have been increasing steadily for years and the outlook for 1928 is for continued gains.

The common stock has just now been placed on a $1.00 annual dividend basis by the declaration of a 25-cent quarterly payment. This represents an increase from the recent 80-cent cash basis, but the former stock distribution of 1¼% quarterly, representing enhancement of leasehold values, was omitted.

Selling at $25 the yield is 4%, generous in comparison with most other prosperous chain-store systems and may well be classed as an attractive and conservative investment. Recently, the stock has been more active at rising prices in the market attesting to a strong technical condition and growing interest on the part of the public.

Exchange Buffet Corporation



OPERATING more than thirty popular priced restaurants in New York City and vicinity Exchange Buffet is now developing a new chain of cafeterias known as the "Windsor" and is the third largest distributor of tobacco products in this district.

Earnings have maintained a high degree of stability over a long period, in fact it is said that there has never been an unprofitable year and recently there has been a steady upward trend, net amounting to $375,480 in 1926; $412,345 in 1927 and to $434,348 for the last fiscal year, ended April 30, 1928. The present policy is toward an improvement in service and facilities at the established restaurants as well as the expansion of the system and increased sales and profits are anticipated.

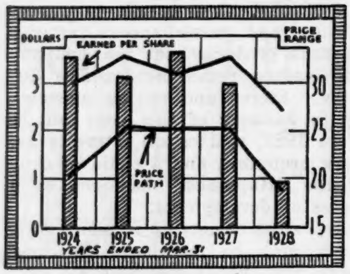
The report for the second quarter of the year showed an increase over the same period of 1927. The upward trend in earnings should continue.

Exchange Buffet has no funded debt or preferred stock, the entire capitalization at present consisting of 250,000 shares of no par value common stock. A liquid current position has been regularly maintained, the latest balance sheet, as of April 30th of the current year, showing net current assets of $510,625 against current liabilities of $388,047. Net working capital at $122,578 was ample for a business of this type where all sales are of necessity for cash with a very rapid turnover and with only a relatively small amount of cash needed for current operations. A number of very valuable long-term leases are controlled, adding to assets not fully disclosed in the balance sheet.

Regular quarterly dividends have been paid since the organization of the present corporation, in 1914, and a 300% stock dividend was distributed in 1922. The present dividend rate, in effect since 1926, is $1.50 per annum, in quarterly payments of 37½ cents each. At the current price, around $21 per share, the yield is about 7.15%.

Although not likely to show any sudden or rapid increase in market price the stable earning power makes this issue rather attractive for income purposes, and if present development plans result in the expected gains in business and earnings some advance in price levels may well take place within a reasonable period.

Pure Oil Co.



ORIGINALLY a natural gas enterprise in Ohio this company has developed into a complete unit in the oil industry doing an international business, controlling 1,750,000 acres of oil lands in the mid-continent and eastern fields, and in Venezuela, together with well developed refinery, transportation and distribution facilities.

Capitalization consists of $20,000,000 5½% notes due in 1937, issued a year ago to retire higher interest obligations and bank debt, $28,000,000 preferred stocks, and $75,959,250 common stock—or 3,038,370 shares of $25 par having a present book value of about $44.55 per share.

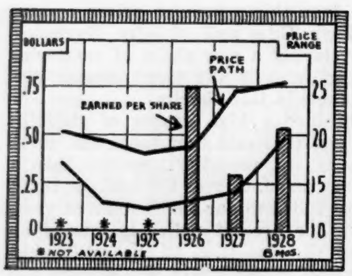
Current position was strong as of March 31, 1928, current assets amounting to $28,175,000 including $5,154,000 cash, against current liabilities of $4,162,000 with indicated net working capital of $24,013,000.

In common with the entire oil industry Pure Oil had a poor year in 1927, net earnings falling to 96 cents per share as compared with $3.00 in the previous year. The dividend basis was reduced from $1.50 to 50 cents annually, with the elimination of extras. Results, however, compare favorably with those of many other oil companies, few of which were able to show profits, while many others reported large deficits.

The general feeling is that the outlook for the oil industry is becoming more favorable and Pure Oil, being an integrated company and deriving a large part of its income from refining and marketing operations, should share in the profits of the current record-breaking consumption of gasoline in spite of unfavorable prices for crude.

Selling around 23 the market position of the stock appears to be well liquidated. Based on the current 50 cent dividend the yield is small, only 2.2%, but the strong position of the company is being maintained and although increased dividends are unlikely until general conditions show definite improvement and stabilization the market price of the stock will undoubtedly discount such favorable developments well in advance of published statements. *The chances of loss on this stock appear slight in comparison with possible profits over a reasonable period of time, and where diversification is practiced could be included in moderate quantity among an investor's holdings.*

Calumet & Hecla Consolidated Copper Co.



SHOWING net earnings for the quarter ended June 30, 1928, more than ten times those of the corresponding period a year ago, and for the first half year nearly five times those of the first six months of 1927 this old time leader of the copper group is again attracting favorable attention.

The present corporation represents a consolidation, in 1923, of five smaller companies, some with a history of operations covering more than fifty years. The largest producer in the Lake Superior district, earnings during war years were tremendous but deficits followed from 1919 to 1925. In 1926 came a turn for the better with a net income of $1,500,000 followed by $583,000 in 1927 and now by $1,056,721 recently announced for the first half of the current year.

During the last four years an average of $3,727,000 annually has been carried to reserves for depreciation and depletion, accounting in large measure for the small profit figures. Property valuation was also marked down some twenty million dollars in 1926.

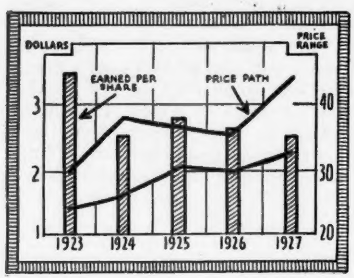
Capitalization consists of $50,137,550, or 2,005,502 shares of $25 par value, all of one class, with no preferred stock or funded debt. Current assets, as of December 31, 1927, amounted to $14,743,000 against only $1,479,000 current liabilities. Dividends have been paid regularly since 1923, the present rate, 50 cents quarterly, having been in effect since early in 1926. Payment of liberal dividends in spite of small earnings and frequent deficits shows the strength of the accumulated financial resources, and such payments could easily be continued almost indefinitely. Now that, for the first time, earnings almost cover dividends it is most unlikely that they will be reduced or discontinued.

Production costs have been reduced from 12.48 cents per pound in 1924 to 10.45 cents in 1927, and with copper at the current price of 14.75 cents substantial profits can be realized. It is also said that undeveloped properties of considerable promise are available.

Selling at 25 this stock offers the liberal yield of 8% with probabilities of advance in market price. Copper shares recently have revived, showing the effects of increased public participation. This low priced stock has been among the most active of the various copper issues listed on the N. Y. Stock Exchange.

Stocks Selling Between $25 and $50 a Share

Chile Copper



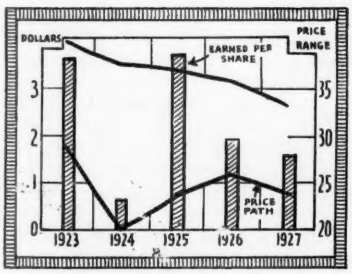
FOR the first time since dividends were inaugurated at the annual rate of $2.50 a share in 1923, Chile Copper stockholders now are able to find definite prospect of an increase in the rate of distribution. Higher prices for copper apparently assure profits of around $3.50 a share for 1928, and directors are in position to pay out practically all the company earns without in any way weakening the financial status.

Chile is making copper at a cost of about 8 cents a pound after depreciation, and probably at considerably less than 7 cents a pound before this charge. Operating at capacity (current operations are only about 60%) costs would be even lower.

If the time ever comes when copper market conditions justify full capacity operations the metal probably will be selling well above the price now prevailing, and Chile may be able to earn $10 a share or more. Perhaps to a greater extent than any other company, this organization has sacrificed earning power to contribute to the stability of the industry; and, incidentally, it is one of the few producers which might not lose from the removal of production restrictions. Chile might be able to earn more with copper at 12 cents when operating at capacity than it can earn now operating at 60% with copper at 14¾.

Few mining stocks have so many of the qualities of an investment, and few natural resources issues have so definitely defined prosperity practically assured. *Chile Copper may be a little slow in the market now, but in the long run values should be reflected in the price of the stock.*

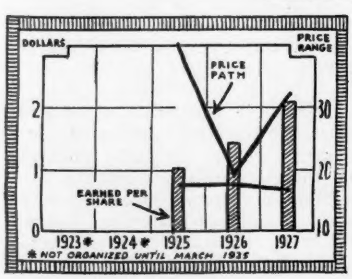
Central Alloy Steel



CONTROLLING 80% of the alloy steel business of the United States, Central Alloy Steel is one of the leading beneficiaries of a pronounced trend toward wider use of special steels in the automobile industry. Automotive engineers are aiming to reduce weight per horsepower; hence they are seeking lighter materials with equal strength and toughness. Along with Ludlum Steel, Central Alloy recently acquired the American rights for the Krupp process of manufacturing Nitralloy steel, which, it is contended, is tougher than other alloys and therefore especially fitted for use in machine parts subjected to unusual wear and strain. The organization controls plants covering every process from the native ore to the most finely finished alloys. A subsidiary, Berger Manufacturing, operates one of the largest sheet metal plants in the world.

Since much of the business still is in the development stage, earnings to date have been a bit irregular; but 1928 profits promise to be around $3 a share on the 1,296,371 shares which now pay $2 per annum. Charges ahead of the common amount to only about 17 cents a share on the amount issued, so practically all earnings accrue to the shares. Current assets on December 31, 1927, were 23.5 million against 4.9 million current liabilities, while cash was 2.4 million. Plant capacity is being expanded to provide facilities to make new products. Management is closely affiliated with Republic Iron and Youngstown. *The common at under 40 is selling for only a trifle less than 10 times current earnings, yields almost 6%, and offers a good opportunity.*

Electric Power & Light



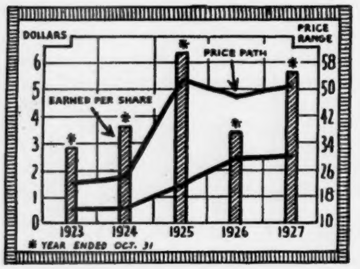
ELECTRIC Power & Light is one of the new holding companies, and is under Electric Bond & Share management. At organization it took over a group of southern and western properties which, on the basis of their record, looked unpromising; but the merger was effected at an opportune time, for earnings and prospects have improved progressively, adding annually to per share earning power and making possible the initiation of dividends at the rate of $1 per annum on the common stock early this year. Parts of Mississippi, Louisiana and Arkansas, not yet supplied with power but contiguous to the operations of subsidiaries, offer great possibilities for growth; and the western group, operating in Utah, Ore-

gon and Idaho, is one of the largest generating and distributing organizations in the section served.

Net in 1928 promises to be between $2.25 and $2.50 a share which will compare with $2.09 a share in 1927, $1.45 in 1926 and $1.01 in 1925. If the trend in earning power can be maintained, it should be only several years before the company is earning $4-$5 a share. The speculative possibilities in the stock, now selling at around 36 compared with a high of 45½ a few months ago, obviously has future possibilities of a rather unusual nature; moreover, it now is down to a point where the relationship between per share earnings and the quotation is decidedly reasonable for a utility issue.

The weak spot in the Electric Power & Light situation is the comparatively large part of gross which is derived from tractions, approximately 30%. About 60% of gross comes from the sale of electric current. As the company grows, this relationship probably will improve. Sixteen per cent of last year's gross of subsidiaries was applicable as net to the holding company's common stock, indicating that capitalization is more conservative than in the case of several much larger holding companies. *The stock is an attractive long-pull issue.*

Brown Shoe



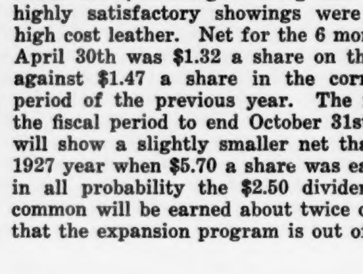
WITHOUT issuing additional securities Brown Shoe Company, Inc., the third largest manufacturer of leather footwear in the United States, during the past 18 months has increased daily capacity from 55,000 to 70,000 pairs of shoes a day. For every share of common stock outstanding, the company now is equipped to turn out 84 pairs of shoes a year. Preferred dividend requirements are only a little more than one cent a pair, all additional net accruing to the common stock.

At the end of last April, the net working capital of $10,823,150 indicated by the consolidated balance sheet was sufficient to retire the preferred stock at 120 and leave over $22 a share for the common.

Experience has proved that earnings fluctuate more or less consistently with raw material costs, although during the war some highly satisfactory showings were made on high cost leather. Net for the 6 months ended April 30th was $1.32 a share on the common against $1.47 a share in the corresponding period of the previous year. The report for the fiscal period to end October 31st probably will show a slightly smaller net than for the 1927 year when $5.70 a share was earned; but in all probability the $2.50 dividend on the common will be earned about twice over. Now that the expansion program is out of the way, stockholders ought not to have to wait too long for a higher distribution. In only one year since organization, 1921, has Brown operated at a loss.

Selling for less than ten times indicated 1928 earnings and carrying a dividend which yields over 5%, *Brown Shoe common has attractive long-pull possibilities.* It is not, however, a good trading stock, frequently moving inactively in a narrow trading range for months at a time. Dividends have been paid regularly on the common stock except for two years during the 1921-1922 deflation.

Bucyrus-Erie



BUCYRUS-ERIE COMPANY is a consolidation of the Erie Steam Shovel Company, the largest manufacturer of light excavating machinery, and Bucyrus Company, which occupied a similar position in the heavier excavating machinery line. Both predecessor companies had long records of good earnings and were dependable dividend payers. The consolidated corporation is in position to benefit to the fullest extent from the demand for steam shovels which is expected to result from the passage by Congress last spring of the Mississippi flood relief bill. Surveys for the work to be done under the act now are being made, and actual construction should begin late in the year or early in 1929.

The new company's capitalization consists of 68,400 shares of $7 preferred, 418,800 shares of $2.50 convertible preference stock convertible share for share into common and 480,000 shares of common which is paying dividends at the rate of $1.00 per annum. Earning power of the predecessor companies, on the basis of the new company's stock, for the past five years has been about $6.50 per annum on the convertible preference stock and $3.50 a share on the common, fluctuating very little from year to year. Financial position is strong, and there is no funded debt.

The convertible preference stock is in a strong position. Earning power in normal years apparently is about 2½ times dividend

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Two Supply Companies Compared

Financial and Earnings Position Contrasted—Trade Conditions—Market Value of Shares

By G. F. MITCHELL

Capitalization Outstanding

	National Supply Co.	Oil Well Supply Co.
Funded Debt	None	None
Preferred Stock (7% Cum.)	$7,095,100	$6,690,000
Common Stock	15,000,000 ($50 par) 300,000 shares	9,164,175 ($25 par) 366,567 shares

	1925 National Supply	1925 Oil Well Supply	1926 National Supply	1926 Oil Well Supply	1927 National Supply	1927 Oil Well Supply	1928 (6 mos.) National Supply	1928 (6 mos.) Oil Well Supply
Balance for Dividends (millions)	$2.0	$1.4	4.5	2.0	2.8	0.5	0.7	def.
Preferred Share Earnings	28.40	20.61	63.91	29,81	39.20	7.33	10.40	nil
Common Share Earnings	5.71	2.92	15.19	4.80	8.59	0.05	1.63	nil
Net Working Capital (millions)	26.0	19.5	28.2	19.4	29.4	17.7	31.0	N.F.
Cash or Equivalent (millions)	5.3	2.4	3.3	2.0	7.1	1.3	8.9	N.F.

A CERTAIN specialized industry, represented on the New York Stock Exchange by the securities of only two companies, which, however, pretty much dominate their field, devotes its activities to supplying the requirements of various phases of the petroleum industry, with particular emphasis laid on the manufacture and distribution of oil well drilling equipment. It is, accordingly, a business which shares to a large extent the marked irregularity inherent in the oil industry, especially in respect to production of crude, and earning power, consequently, is of a "feast or famine" character. The "feast" held sway in 1926 and through the initial quarter of 1927, but from then on business has been ebbing appreciably, income statements for the first six months of the current year being scarcely recognizable along side of those published a year and two years earlier.

This peculiar situation was a direct reflection of the spectacular rise of Seminole, Panhandle, and other prolific pools, and their subsequent fall, precipitated in part by the discouragement to production resulting from the tremendous supply of unmarketed crude oil and prorating agreements designed to place an artificial check upon unrestrained drilling. In a sense, then, unusual prosperity of oil supply companies is a bad omen for the oil industry in general, for it is probably based on an unhealthy degree of drilling activity. An even keel of business from year to year would, of course, be more desirable from the point of view of the supply companies as well as the oil industry, instead of the present extreme swings of the pendulum, wherein a period of large profits is followed by conditions not conducive to assurance as to covering dividend requirements in the case of the larger and stronger company, and which are responsible for an actual operating deficit in the case of the other company. It is a type of situation, however, where undue pessimism is not warranted, for the principal requisite, a return to more normal conditions, is sooner or later almost inevitable.

A Long History

Both organizations have a background of many years of successful past operation, and National Supply Co. of Delaware in particular is extremely well fortified financially against contingencies. Disbursements on the part of the latter have on the average been well within earnings, and while a more liberal policy was adopted following the sharp upturn in profits in 1926, there was still a substantial surplus retained in the business. The basic dividend rate in that year was increased from $3 to $4, and was supplemented by extra payments of $2 each at the close of 1926 and 1927. Such a policy leaves the company leeway in adjusting dividends to earnings without disturbing the basic rate. In the light of current earnings, anything in excess of the regular $4 is improbable during 1928. Even this rate was not covered in the first six months, the balance being equivalent to $1.63 per share of common, which included, however, a very poor first quarter of only 27 cents per share. These figures compare with $15.19 and $8.59 for the full years of 1926 and 1927 respectively. If earnings for the balance of the year can be maintained at the rate shown in the second quarter, the regular $4 dividend should be reasonably secure, but even otherwise, the company is so financially stable and so firmly established in a field which can hardly remain inactive for any great length of time, that any downward revision would in all probability be temporary and due to a reluctance to dip into a surplus entirely adequate for the purpose. The ability of the common to remain at relatively high levels in the face of poor earnings is indicative of prevailing confidence in its fundamental soundness.

The situation in regard to Oil Well Supply Co., also occupying a prominent position in the field of equipment supply to the oil industry, is in many respects altogether different. With a capitalization very similar to that of National Supply, in both cases consisting of 7% preferred and common stocks only and no funded debt, the effect of prevailing conditions upon the earnings of Oil Well Supply was much more severe, and the net result for the first six months was a deficit of almost $86,000 before deduction of preferred dividend requirements. Common dividends, previously paid at the rate of $2 per annum, were suspended in June, and it is obvious that some improvement must be in evidence before preferred dividends can be regarded as

(*Please turn to page* 873)

American Tobacco | *R. J. Reynolds*
Liggett & Myers | *Lorillard*

Position and Outlook for the Leading Cigarette Manufacturing Companies

Effects of Recent Price Cuts—Securities Compared

By H. KNODEL

Price Cut in Cigarettes Disturbs Industry

COMING like a thunderbolt out of a serene sky, unheralded by any foreboding signs the announcement in April, 1928, of a cut in the wholesale price of several popular-priced brands of cigarettes, caused considerable apprehension on the part of those interested in the securities of the cigarette manufacturing companies. In most quarters this development was wholly unexpected, for although some clouds had been gathering on the horizon, these were not thought to be of the threatening kind, especially in view of the fact that the industry has been enjoying for many years a growth which is little less than phenomenal.

Month after month the industry has continued to show new high records as compared with corresponding months of previous years, bringing in its wake increasing prosperity for the industry as a whole.

Reasons for Price Reduction Not Specific

Despite the tremendous and ever-expanding market for cigarettes, domestic competition has steadily been growing more intense, and warfare for supremacy in the field has been raging under the surface for years. To make the situation potentially more acute, aggressive foreign competition has made its appearance during the past year or so. This "invasion" of the American market is chiefly by British companies who for some time have been making plans to introduce popular-priced cigarettes to compete with the domestic brands. The most formidable of the foreign contenders is the British American Tobacco Co., Ltd. (affiliated with the Imperial Tobacco Co., Ltd.), a powerful foreign group. As yet this "invasion" has not assumed serious proportions.

The price decline was initiated by the R. J. Reynolds Tobacco Co., manufacturers of the "Camel" brand of cigarettes, and the largest factor in the cigarette business, but was met at once by the American Tobacco Co., manufacturers of "Lucky Strike" cigarettes, by the Liggett & Myers Tobacco Co., makers of "Chesterfield" cigarettes, and by the P. Lorillard Co., sponsors of the recently introduced "Old Gold" brand. The reduction in the price of these four popular brands of cigarettes amounted to over 11%.

Whether this price reduction was induced by the force of impending economic circumstances or whether through considerations of policy, the immediate impression imparted was that the cigarette manufacturing companies would be called upon to forego a considerable portion of the profits shown in former, more favorable periods. It is possible, however, that this price reduction is only temporary, as there is now talk of reestablishing the old price level.

Large Potential Loss Through Price Cut

The potential loss in net revenue to the cigarette companies due to the price cut has been variously computed, some estimates running as high as $34,000,000. It is difficult, to say the least, to form an accurate estimate, because the cigarette companies jealously guard all data and figures which might reveal their true status in the industry. By the use of some approximate figures, however, an independent estimate may be made of the potential loss in revenues due to the price cut.

The "Big Three" of the cigarette manufacturing industry—R. J. Reynolds Tobacco Co., American Tobacco Co. and Liggett & Myers Tobacco Co., with their leading brands, Camel, Lucky Strike and Chesterfield, are generally conceded to account for about 85% of all the cigarettes produced in the United States. P. Lorillard Co., the fourth largest producer of domestic cigarettes is at present engaged in expanding the market and popularizing "Old Gold" cigarettes which were introduced about two years ago, and it is probable that these account for not more than 5% of the total cigarette sales.

In 1927, total domestic production of cigarettes was slightly in excess of 97,000,000,000 and with the normal rate of increase as shown over a period of years back, and continuing during the first half of this year, the total production of 1928 is estimated at 109,000,000,000 cigarettes.

The "Big Three" in 1927 showed aggregate net earnings available for dividends of $71,081,861. Assuming that these three companies with their three leading brands will continue to account for 85% of the market in 1928, the total earnings based on the old price and on the former margin of profit would be in excess of $80,000,000, or an increase of $9,000,000 over 1927. With the reduced price in effect amounting to about 36 cents per thousand cigarettes, however, there will be a diminution of this figure by about $33,000,000, or in other words, the "Big Three" have an indicated loss of $24,000,000 from the 1927 figure instead of an increase of $9,000,000.

Cigarette Companies Cutting Expenses

Obviously in order to maintain the rate of profit established in 1927 or to increase it, either selling expenses, which means chiefly advertising costs, must be reduced, or operating economies must be effected, or both.

Advertising appropriations by the leading cigarette com-

panies have increased to a large extent in recent years. In 1927, for instance, the aggregate advertising expenditures of the three leading cigarette manufacturers has been estimated between $50,000,000 to $60,000,000. The original appropriations for 1928 called for an advertising outlay estimated at over $70,000,000. Such expenditures for advertising should be considered in connection with the fact that the total net profits available for stockholders in 1927 were only $71,081,861, the best year in the history of each of the three companies.

A slash of 35% in the advertising appropriations would absorb the apparent loss in earning power as estimated above. It appears that there is a great deal of unnecessary repetition and overlapping in cigarette advertising campaigns which can be eliminated with benefit to the industry. Certain media are more effective than others. One concern which has employed various media for advertising has discovered that the effectiveness of newspapers and magazines has become more apparent each year and is now concentrating its advertising in such organs. While it is realized that a drastic reduction in their advertising programs may result in reduced sales, this conclusion does not necessarily follow because greater effectiveness in advertising will compensate for reduced volume.

Entirely apart from the advertising phase of the question, are the economies that are being made in the operating department of the cigarette industry. The phenomenal growth of cigarette production has stimulated the development of time and cost saving machinery. A recent innovation is the introduction of a new cigarette wrapping machine which it is claimed cuts the cost of this operation from about 12 or 13 cents to 7 cents per thousand. In time all the large companies will use this machine which should take up at least 5 cents of the 36 cents reduction in profits per thousand cigarettes. Other operating economies are being planned which should result in the savings of an additional 10 cents per thousand cigarettes produced. Moreover, it has been true on the occasion of previous price reductions, that the demand for cigarettes increased, and with the stepping up of production, further savings should result. Tobacco interests maintain that a very large portion of the loss entailed through the price cut will be absorbed by operating economies already effected or under way.

Raw Material Prices Slightly Higher

Offsetting to some extent the savings effected through operating economies, is the higher average cost of tobacco used. The practise in the tobacco industry is to average the cost of tobacco over the last few years and using this average as the cost of the current raw material consumed in manufacturing. In 1927 several types of domestic leaf showed sharp increases over 1926 and 1925, but the effect of this, of course, will be diminished through the averaging method of arriving at the cost of tobacco used in manufacture. The advance in the average cost probably does not amount to much over 1 cent per pound, which means an increase of about 3 cents in the cost per thousand cigarettes.

Cigarette Industry Has Shown Remarkable Growth

Cigarette smoking has long since passed from what appeared to be a fad not only for men but for women also, until it is now a national habit.

The following figures show the remarkable growth of cigarette production:

	Total Cigarettes
1922	55,780,473,074
1923	66,733,896,288
1924	72,725,043,310
1925	82,264,529,154
1926	92,110,213,691
1927	97,188,168,021
First seven months:	
1928	60,194,861,672
1927	55,344,107,722

Numerous factors have contributed to the growth of cigarette output. The almost universal use of cigarettes among the soldiers gave the cigarette a tremendous boost

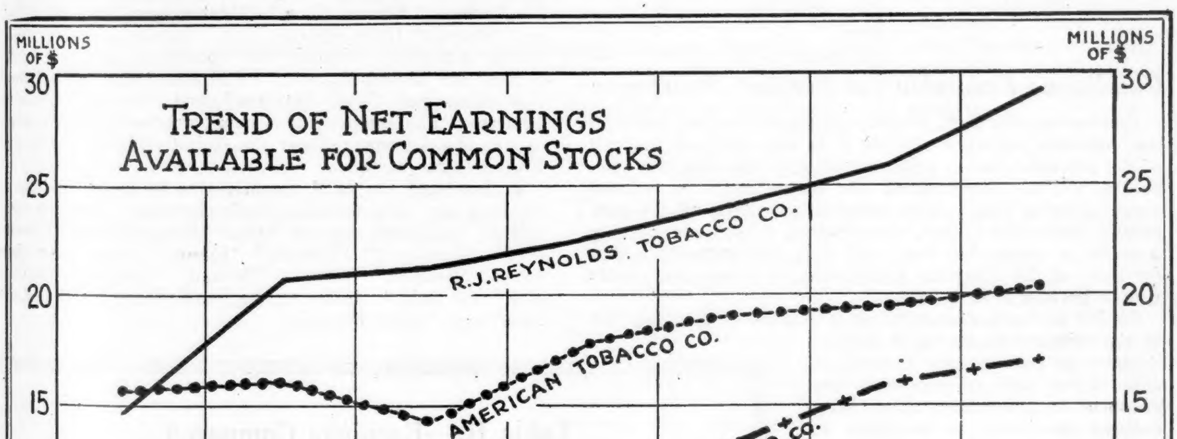

Table 1.—Working Capital Position of Major Cigarette Companies

	R. J. Reynolds	Liggett & Myers	American Tobacco	Lorillard
Cash	$10.799,225	$15,390,249	$14,759,972	$3,030,932
Marketable Securities	5,000,000	4,476,164	....	....
Receivables	11,730,663	10,999,773	10,870,259	8,927,873
Inventories	108,773,089	95,893,891	85,820,330	51,678,542
Total Current Assets	$136,302,977	$126,760,077	$111,450,561	$63,637,347
Total Current Liabilities	11,835,690	14,659,712	7,929,731	4,516,341
Net Working Capital	$124,467,287	$112,100,365	$103,520,830	$59,121,006

during the war period. In recent years, the woman smoker has undoubtedly been the major influence in the expansion of cigarette production. Not so long ago, advertising displays only indirectly appealed to the woman smoker, but now the appeal is direct. The possibilities in this direction for further increase in the use of cigarettes is tremendous. It is probable that the advent of the chain grocery store into the cigarette selling field is a step in expanding this market among women. It offers her a convenient place to buy cigarettes for herself and the household, avoiding the necessity of entering those male strongholds—the retail tobacco stores.

Then, of course, is the growth factor in the population which constantly adds to the cigarette smoking ranks. The new generation is constantly making itself felt as consumers of tobacco, and inasmuch as cigarette smoking is the most popular form of the tobacco habit at present, it is only natural that the cigarette branch of the industry benefits most. In addition to this, it is estimated that there are 5 million persons in the United States who would like to smoke but do not do so for only one reason and this because they have been told, or they imagine that tobacco does not agree with them.

Conditions Favorable for Further Prosperity

Fundamentally, then, underlying conditions are sound in the cigarette industry. While it is not expected that all of the potential loss in profit accruing to the cigarette companies will be compensated for immediately in reduced manufacturing and selling costs or by virtue of the constantly increasing output, nevertheless, it seems reasonably possible to accomplish this, and it is not improbable that for some of the cigarette manufacturing companies, profits will be greater than before.

So far as foreign competition is concerned, this does not at the moment appear as a serious threat. It can become formidable only if the foreign companies are prepared to make huge advertising outlays amounting to as much as $35,000,000 to popularize their cigarettes.

Sharp Decline in Securities of Cigarette Companies

The announcement of the price cut in cigarettes came at a time when the general list of stock prices was rising rapidly, but this, however, did not prevent the common stocks of the leading cigarette companies from experiencing sharp declines as a consequence. The cigarette company stocks had been selling on a relatively high basis with respect to yield as well as to per cent earned on the market price of the stocks. These high prices, of course, were discounting the future prospects for the companies based on constantly increasing earning power due to the inherent factor of growth. The price cut, however, dispelled the prospects of higher earnings, at least for the immediate future, and the chief prop for the high level of cigarette company stock prices was removed, causing the prices for the stocks to seek lower levels, until such time as the earning power is recouped and confidence restored. Up to recently they have recovered only moderately in market price though they are holding well.

Companies Manufacture Diversified Line of Tobacco Products

While the price cut in cigarettes has focused attention on the four major cigarette companies, it should be realized that in addition to popular-priced cigarettes, these companies also are interested in other tobacco products, the earnings of which are unaffected by the cigarette price cut.

R. J. Reynolds Tobacco Company, for instance, is one of the leading manufacturers of plug, twist and smoking tobacco including such well known brands as "Prince Albert" smoking tobacco and "Brown's Mule" and "Apple" chewing tobacco.

Liggett & Myers Tobacco Co. makes all kinds of tobacco products except snuff and large cigars. In addition to "Chesterfield" cigarettes it makes "Fatima" and "Piedmont" brands. Other brands of tobacco products are "Duke's Mixture," "Velvet," "Granger Rough Cut," "King Bee," "Star," "Horse Shoe," "Masterpiece," "Sweet Cuba" and "Recruit" little cigars.

The American Tobacco Co. specialties beside "Lucky Strike" are "Sweet Caporal," "Pall Mall" and "Melachrino" cigarettes, and "Bull Durham" and "Tuxedo" smoking tobaccos. The company also owns substantial stock interests in the American Cigar Co., Schulte Retail Stores and United Cigar Stores.

P. Lorillard Co. until recently was interested chiefly in smoking and plug tobaccos, little cigars and Turkish cigarettes. Its brands include "Stag," "Union Leader," "Sensation," "Beechnut," "Climax," "Planet" and among cigarettes, "Helmar," "Mogul," "Murad," "Egyptian Deities" and "Old Gold." Little cigars handled are "Between the Acts" and "Royal Bengals."

Table II.—Earnings Compared

	Reynolds	American Tobacco	Liggett & Myers	Lorillard
Earned per share 1926	$8.20	$9.90	$6.76	$2.58
Earned per share 1927	7.27	10.29	6.57	1.25
Current dividend rate	(a) 5.00	8.00	(b) 5.00	None
Current Market Price, Common B Shares	142	162	90	29*
% 1927 Earnings on Market Price	5.1%	6.4%	7.3%	4.3%
% Yield on Market Price (a)	3.5%	5.0%	5.6%	...

(a) A stock dividend of 25% was also paid in 1927.
(b) Includes $1 extra. Stock dividend of 10% paid in 1926 and 1927.
* Common stock.

Strong Financial Position of Companies

The latest balance sheets available on the four major cigarette companies dated Dec. 31, 1927, show that all four were in exceptionally strong working capital position as given in Table 1.

So far as foreign competition is concerned, the above companies are well-equipped with capital funds to meet this situation should it assume serious proportions. The R. J. Reynolds Tobacco Co., Liggett & Myers Tobacco Co. and American Tobacco Co., are in a "stand pat" position in that there has been no apparent necessity of having to make heavy capital expenditures. The P. Lorillard Co., however, is engaged in a program of expansion in connection with the development of a wide market for its brand of "Old Gold" cigarettes, and, therefore, it is quite likely that its working capital position is less favorable at this time than at Dec. 31, 1927.

Indications of Recovery in Earning Power

Dispelling the gloom and uncertainty surrounding the prospects of the cigarette manufacturing companies is the optimistic note struck by the reports of the American Tobacco Co. and R. J. Reynolds Tobacco Co. covering operations for the first six months of 1928.

Both companies report net profits for this six months' period in excess of those of any similar period in the history of either company. More significant is the fact that the net profits for the month of June, when the price reduction was in effect, likewise established records. The American Tobacco Co. reports that the volume of sales for the first six months was more than $18,000,000 higher than for the corresponding period of 1927.

While it is still too soon to base a broad conclusion upon these results, it does indicate, nevertheless, that the dilemma caused by the price cutting will probably work out favorably for the cigarette manufacturing companies. The two above companies, evidently, are adjusting themselves to the new conditions.

Table III.—Net Earnings Available for Common Stocks

	AMER. TOBACCO CO. Common and Class B Com.	LIGGETT & MYERS TOBACCO CO. Common and Class B Com.	P. LORILLARD CO. Common	R. J. REYNOLDS TOBACCO CO. Common and Class B Com.
1921	$15,092,681	$8,278,177	$5,486,792	$14,858,322
1922	15,671,273	8,148,311	6,096,912	20,592,796
1923	14,646,157	8,046,409	4,246,509	21,639,876
1924	17,622,887	10,393,861	4,413,305	22,377,716
1925	19,076,938	13,713,664	4,849,899	23,821,579
1926	19,337,666	16,060,959	3,325,666	26,249,403
1927	20,097,188	17,167,408	1,699,254	29,080,665

Effect of Capital Structure on Change in Earnings

With different styles of capitalization, the effect of a change in earnings would naturally vary with the different companies. As long as earnings increase, effect of heavy prior charges in the form of funded debt interest and preferred dividends would be of special importance only because all the increase will accrue to the benefit of the common stockholders. This is a form of pyramiding, On the other hand, should earnings experience a sharp decline, then the common stockholders will be especially pinched, because prior charges remaining the same, all of the decrease will be at the expense of the common stock. In other words, heavy prior charges tend to magnify the effect of a change in earnings on the common shares. Of the four large cigarette manufacturing concerns, R. J. Reynolds Tobacco Co. has the simplest capital structure consisting of only two classes of common stock—$10,000,000 common (par $25—voting) and $90,000,000 Class B common ($25 par—non-voting). The company retired $20,000,000 7% preferred stock in January, 1926, thereby eliminating $1,400,000 charges prior to the common stock dividends.

The American Tobacco Co. has a very small funded debt totalling only $1,124,350, but has outstanding $52,699,700—6% cumulative preferred stock (par $100), calling for annual dividend of $3,212,000. This is followed by $40,242,400 common stock (par $50—voting) and $57,401,800 Class B common stock (par $50—non-voting).

Liggett & Myers Tobacco Co. has total funded debt of $28,450,150 and $22,514,100—7% cumulative preferred stock (par $100) ahead of its common shares consisting of $21,496,400 common (par $25—voting) and $43,859,550 Class B common (par $25—non-voting). The bond issues and preferred stock call for a charge of $3,265,000 per annum before dividends can be declared on the common stock.

P. Lorillard Co. is the most heavily bonded of the four companies, with total outstanding funded debt of $35,192,200 calling for annual interest charges of $2,026,000. In addition, Lorillard has $11,307,600 of 7% cumulative preferred stock (par $100) outstanding requiring $791,500 in annual dividends.

This makes total charges of about $2,818,000 which must be met before any distribution is made on the common shares. In 1927, P. Lorillard Co. floated an issue of $15,000,000 Debenture 5½% bonds due 1937, ostensibly to raise money to push its development campaign in "Old Gold" cigarettes. While this may have been the cheapest way of raising the money, it does not seem the most conservative way for the purpose, that is, from the viewpoint of the common shareholder, who is naturally affected by the increase in fixed charges. Nevertheless, it may have been the most convenient and available method open to the management at the time of the financing.

Trend of Earnings of Cigarette Companies Has Been Upward

Reflecting the tremendous growth of the cigarette industry in recent years, the net earnings of the "Big Three" have shown a marked upward tendency over the same period, as illustrated by the chart. Cigarette production has increased about 86% from 1921 to 1927. Aggregate net earnings of the "Big Three" before interest charges increased 49% over the same period.

The most pronounced upward trend is shown by R. J. Reynolds Tobacco Co., which incidentally has the simplest capital structure. Liggett & Myers Tobacco Co. experienced a sharp rise in the years 1925 and 1926, but the rate of increase flattened out in 1927. In the case of American Tobacco Co., the upward trend has been more moderate. The reports covering the first six months of 1928 indicate a continuation of the upward trend, despite the cut in cigarette prices, at least in the case of R. J. Reynolds Tobacco Co. and American Tobacco Co., who have reported thus.

Included in the table is also P. Lorillard Co. The trend of earnings has been distinctly downward; in fact, the management sensing this some time ago decided to introduce on the market a popular priced blended cigarette "Old Gold" to recoup earning power.

The tendency to discount the inherent growth factor has

long had the influence of causing the stocks of the cigarette manufacturing companies to sell on a relatively high level with respect to both current yield basis, as well as the per cent earned on the market. Even at present levels, after the sharp reaction from the high prices for the year, the stocks do not give a large return as is shown by the accompanying comparison. Table II.

Based on the number of times earnings the stocks are selling, R. J. Reynolds Tobacco Co. is the highest priced of the "Big Three" group, selling at 18 times 1927 earnings. American Tobacco Co. is currently selling for 16 times 1927 earnings, while Liggett & Myers is selling for 14 times such earnings.

The possibility of stock split-ups in R. J. Reynolds Tobacco Co. and American Tobacco Co., rumors which persist in the financial district, may account for the relatively higher price for the common shares of these companies. A 4 to 1 split is talked of for R. J. Reynolds Tobacco Co. common and Class B common stocks, and changing stock from $25 par to no par. The new stock is expected to be placed on a $1.50 per annum basis, equivalent to $6.00 on present stock.

The American Tobacco Co. is mentioned in a 2 to 1 split-up of the combined common and Class B common shares. It is possible that stockholders may receive more than the present $8 annual return on their new stock.

The P. Lorillard Co. common stock is currently selling at a price equivalent to 23 times its 1927 earnings. This exceptionally high ratio is not reflecting the current status of the company, but rather is discounting the possibility of re-established earning power through the eventual success of popularizing its "Old Gold" brand of cigarettes. Lorillard common stock has declined sharply from its high of the year 46⅞. A low price of 23¾ has recently been made, but some recovery has occurred.

Outlook Is Favorable

The outlook for the domestic cigarette manufacturers appears to be favorable, and one can continue to be reasonably optimistic particularly on the "Big Three" companies, R. J. Reynolds Tobacco Co., American Tobacco Co. and Liggett & Myers Tobacco Co. Reports so far indicate that the potential loss feared through the price cutting of cigarettes will be made up, and, very likely, more than made up through larger sales and lower operating expenses. Large savings can be made through more effective advertising. The extent to which companies can go in increasing their operating efficiency will also have a bearing on their ability to report larger profits.

The common stocks of the "Big Three" will never offer a very large return so long as present earning power continues, and the prospect of

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Preferred Stock Guide

NOTE: The following list of preferred stocks has been arranged solely on the basis of current yields. The position of any stock in the Guide is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1925	1926	1927	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	115.54	160.35	133.40	No	87	4.6
Union Pacific	4 (N)	38.41	41.17	39.35	No	85	4.7
Atchison, Top. & St. Fe	5 (N)	37.17	48.83	40.47	No	104	4.8
Baltimore & Ohio	4 (N)	35.33	48.41	38.44	No	80	5.0
Southern Railway	5 (N)	37.63	39.33	36.17	100	99	5.1
Pere Marquette Prior	5 (C)	57.50	68.77	64.08	100	98	5.1
Wabash "A"	5 (N)	11.48	11.86	6.87	110	95	5.3
Colorado & Southern 2nd	4 (N)	39.13	48.50	53.76	No	74	5.4
St. Louis Southwestern	5 (N)	11.96	12.09	9.30	No	90	5.6
N. Y., Chicago & St. Louis	6 (C)	24.91	24.65	20.31	110	106	5.7
Chic., Rock Is. & Pac. 2nd	6 (†)	12.23	20.57	22.49	102	102	5.9
Kansas City Southern	4 (N)	10.06	10.86	9.04	No	68	5.9
Colorado & Southern 1st	4 (N)	43.18	52.56	57.76	No	68	5.9
N. Y., New Haven & Hart	7 (C)	....	....	22.05	115	114	6.1
St. Louis, San Francisco	6 (N)	102.65	108.19	107.70	100	98	6.1

Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1925	1926	1927	Redeemable	Recent Price	Yield %
Columbia Gas & Electric	6 (C)	....	27.81	25.42	110	107	5.6
North American Co	3 (C)	21.91	28.95	31.73	55	54	5.6
Public Service of New Jersey	8 (C)	§19.66	§21.46	§16.28	No	141	5.7
Federal Light & Traction	6 (C)	33.02	41.51	39.67	110	103	5.8
Philadelphia Co.	3 (C)	23.53	24.20	28.28	No	52	5.8
Hudson & Man. R. R. Conv.	5 (N)	34.12	40.32	40.70	No	84	6.0
Amer. Water Works & El	6 (C)	....	22.63	24.30	110	100	6.0
Standard Gas & Electric	4 (C)	14.00	20.00	16.20	No	67	6.0
West Penn Electric	7 (C)	16.15	20.81	23.10	115	111	6.4
Electric Power & Light	7 (C)	9.72	13.83	16.21	110	108	6.5
Continental Gas & Elec. Prior	7 (C)	22.26	26.23	32.71	110	105	6.6

Industrials

	Div. Rate $ per Share	Earned $ per Share 1925	1926	1927	Redeemable	Recent Price	Yield %
International Harvester	7 (C)	32.11	36.74	35.71	No	141	5.0
American Smelting & Ref	7 (C)	30.88	35.52	30.96	No	135	5.2
McCrory Stores	6 (C)	45.97	47.82	52.42	110	115	5.2
Pillsbury Flour Mills	6½ (C)	....	*20.19	*44.90	110	118	5.5
Studebaker Corp.	7 (C)	208.13	173.89	160.79	125	124	5.6
General Motors	7 (C)	101.78	167.17	182.15	125	125	5.6
Case (J. I.) Thresh. Mach	7 (C)	21.49	29.39	38.43	No	125	5.6
U. S. Cast Iron Pipe	7 (C)	45.84	42.08	28.12	No	124	5.6
Endicott Johnson	7 (C)	44.57	34.77	48.10	125	125	5.6
Mathieson Alkali Works	7 (C)	58.60	67.86	74.06	No	123	5.6
Deere & Co.	7 (C)	13.68	23.22	25.74	No	125	5.6
International Silver	7 (C)	16.08	24.39	30.82	No	122	5.7
Brown Shoe	7 (C)	45.23	29.69	44.12	120	119	5.8
U. S. Industrial Alcohol	7 (C)	33.98	16.27	36.03	125	121	5.8
Bethlehem Steel Corp	7 (C)	26.64	20.84	16.32	No	120	5.8
Baldwin Locomotive	7 (C)	0.96	29.42	12.21	125	117	5.9
American Cyanamid	6 (C)	*20.53	*29.53	*24.24	120	102	5.9
Associated Dry Goods 1st	6 (C)	29.92	27.67	24.10	No	100	6.0
Radio Corporation	3.5 (C)	10.31	13.86	20.02	55	57	6.1
Mid-Continent Petroleum	7 (C)	106.48	133.61	52.40	120	114	6.1
Bush Terminal Buildings	7 (C)	‡	‡	‡	120	113	6.2
Devoe & Raynolds 1st	7 (C)	37.29	49.70	53.23	115	114	6.2
Goodrich (B. F.) Co	7 (C)	51.57	13.96	39.19	125	112	6.3
Central Alloy Steel	7 (C)	....	35.11	27.26	110	111	6.3
General American Tank Car	7 (C)	24.09	27.95	37.68	110	110	6.4
U. S. Smelting, Ref. Mng	3.5 (C)	5.97	6.25	6.28	No	54	6.4
Bush Terminal Debentures	7 (C)	16.01	16.81	18.88	115	107	6.5
Victor Talking Machine	7 (C)	nil	38.44	35.00	115	107	6.5
International Paper	7 (C)	12.58	11.31	7.42	115	99	7.1
Goodyear Tire & Rubber	7 (C)	....	11.83	18.80	110	98	7.2

C—Cumulative. N—Non-cumulative. † Cumulative up to 5%. § Earned on all pfd. stocks. * Years ended June 30. ‡ Guaranteed unconditionally by Bush Terminal Co.

TRADE TENDENCIES

Business Makes Good Progress

Outlook for Fall Months Indicates Growing Activity—Important Industries Continue Satisfactory Operating Schedules—Bright Agricultural Prospects Lend Further Confidence

STEEL

Demand Holds Up

THE quarter just closing has been to date a most satisfactory one for the steel industry, especially since sustained volume of demand and active mill operations are an unusual occurrence during a period of normal summer dullness. Production since the middle of July has been maintained at the average rate of the first six months, while the tonnage booked during the summer months was much larger than anticipated. Although it was not until August that prices showed advancing tendencies, nevertheless firmness has been apparent throughout the third quarter and producers have been able to realize somewhat higher returns in comparison with a year ago. The price situation, however, still leaves much to be desired but unceasing efforts are being made to bring consumers in line with changing conditions as regards

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COMMODITIES*

(See footnote for Grades and Units of Measure)

	1928		
	High	Low	*Last
Steel (1)	$33.00	$32.00	$32.00
Pig Iron (2)	17.00	15.35	16.00
Copper (3)	0.14¾	0.14	0.14¾
Petroleum (4)	1.90	1.03	1.36
Coal (5)	1.85	1.52	1.85
Cotton (6)	0.23⅛	0.17⅜	0.19⅞
Wheat (7)	2.22	1.50⅞	1.51⅞
Corn (8)	1.27¾	1.06	1.21⅞
Hogs (9)	0.12½	0.07⅝	0.12⅜
Steers (10)	16.50	12.00	16.75
Coffee (11)	0.17¼	0.14¼	0.17⅛
Rubber (12)	0.41	0.17½	0.19⅝
Wool (13)	0.50	0.44	0.48
Tobacco (14)	0.12	0.12	0.12
Sugar (15)	0.04⅝	0.04⅛	0.04⅛
Sugar (16)	0.06⅛	0.05⅝	0.05⅝
Paper (17)	0.03¼	0.03¼	0.03¼
Lumber (18)	22.64	19.96	22.64

*Aug. 25.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium, Burley, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Production is holding up well, comparing favorably with the average high rate of the first half. With demand unusually heavy during third quarter and in view of stronger price situation, earnings should at least show a slight increase. Pig iron is currently much improved.

METALS—Hand-to-mouth buying exists in copper and no marked improvement is expected until after Labor Day. Conditions are excellent and there is strong possibility that price may go 15 cents. Lead buying is better, with prices trending upward. Zinc is unchanged.

PETROLEUM—Although notable progress has been made toward placing the oil industry in a better position, the discovery of new wells presents further problems in the control of output. Refiners are making an excellent showing, as gasoline, both for export and domestic use, continues in heavy demand with prices maintained at the highest levels of the year.

AUTOMOBILES—Output is holding up well despite slightly lower operating schedules and indications are that the present rate will continue for some time. Ford is producing about 4,000 cars a day, with the goal set at 5,000 by the middle of September. Retail sales have been satisfactory, especially for lighter cars.

RAILROADS—Although car loadings in week ended August 11 showed a slight decline, the outlook for heavier traffic movement in coming months is bright. Despite lower gross many companies in July were able to report higher net income as a result of operating economies.

MOTOR ACCESSORIES—Demand for automotive parts and accessories continues in exceptionally good volume, with sales running ahead of previous years. Activity of automobile manufacturers forecasts sustained business during Fall, with expanding profit margins.

SHIPPING—Ocean freight markets are somewhat improved, a better tone prevailing and rates firming up slightly. Revival of interest, however, is not likely to be featured by any spectacular change for the better, although long term prospects are not quite so dismal.

RETAIL TRADE—Distributive trade movement in July continued its upward trend, with department and chain store sales registering a gain of 3% and 6% respectively over the same month in 1927, while mail order sales increased 22%. Favorable agricultural outlook indicates further satisfactory volume of business.

SUMMARY—Although the business situation presents divergencies common to this time of the year, the broader trend is in an upward direction. Approach of increased Fall activity in many lines is encouraging, while the crop yield is also responsible for better sentiment.

EDITORIAL PAGE

This department is the contribution of The Magazine of Wall Street to the financial education of the nation's present and future investors and business executives.

Through this medium we extend to our subscribers an opportunity to assist us in spreading the doctrine of safe and sound investment by using these pages as a practical guide to financial success in their own homes and offices.

Recreation

EACH day brings forth its new experiences that in the aggregate tend to make life interesting and worth while. There is, however, something in every one of us that demands more than the slightly changing events of daily existence. The mind seeks new fields of thought and the eye new sights in much the same way that the body periodically demands rest. A change of scene, new thoughts and recreative activity are from time to time essential to the well-rounded life, and conducive to better physical and mental health.

The old story is only too familiar of the successful business man who dedicated to his work all of his thought and energy to the sacrifice of the pleasures that might have been his in the enjoyment of his family, in travel or in whatever other direction his taste lay. On his retirement he found that he had no capacity left for pleasure. He had forgotten how to play.

It is not sheer charity which prompts the average business organization to grant its employees vacations each year. Henry Ford does not operate his factory five days a week because he wants Saturday to himself. Indeed, if the results could be computed in dollars and cents, a vacation policy would no doubt be found to rest on a profitable basis. Educational institutions long ago discovered the necessity of a sabbatical year for their staff members. The human mind cannot stand still and if it is to develop to the height of its usefulness, its inspiration must be periodically renewed at the fount of new experiences.

To make the most of what recreational opportunities are available is a problem that merits the thought and planning of every family. Every well-balanced budget should make provision not only for an annual vacation of some description but should also be so laid out as to enable other opportunities for short trips, week-ends, occasionally the theatre, lecture or other diversion to be taken advantage of. The plan or expenditure need not be on a large scale, but may be arranged in accord with individual tastes and the means available A trip abroad may be of inestimable value when funds permit, but a camping excursion in the nearby hills may offer equal benefit to the city dweller just as a sojourn in the metropolis may freshen the viewpoint.

A reasonable sum expended for sensible recreation is not an extravagance. It might almost be termed an investment for it pays dividends in happiness, contentment and the joy of living.

"Intelligent Use of Present Income Will Assure Financial Independence."

Subscribers and readers who write for information on their insurance problems are requested, where possible, to do so on the stationery of the firms or organizations with which they are connected.

The Professional Man's Need for Life Insurance

Why An Insurance Estate is Peculiarly Essential to the Man Who is Himself His Sole Business Asset

By FLORENCE PROVOST CLARENDON

THE majority of professional men attain their greatest measure of success between the ages of thirty and fifty—early manhood to middle age. Doctors, lawyers, scientists, litterateurs—men of this type lay the foundations of their professional career prior to age thirty, while the period of their success and financial growth lies in the twenty odd years leading to mellow middle age. As a rule the successful professional man has reached the peak of his career around age fifty. The basis of this success is necessarily laid in hard work and rigid economy in youth, while conservative living and judicious spending in manhood maintain the standards of earlier life, build up the financial estate, and keep mind clear and body alert in the chosen vocation.

Assuming that the professional man's economic value is on an upward trend from the time he actively enters his career until it reaches its peak at age fifty or fifty-five, it behooves him to lay the foundations of his estate and provide a sinking fund for the future before this economic value wanes or is exhausted.

No Business Assets But Himself

Many medical men and others following a professional career lack business training and experience in the investment field. Yet the doctor must necessarily provide for the future of his family and build up maintenance for his own old age, because if his practice decreases with advancing years or its revenue is cut off through his premature death there is no business asset left to his dependents as is the case with a man in business or commercial lines. The doctor himself is the business, and the income accruing from it exists only during his own life and while he is actively following his profession. During the height of his career, the successful medical man is absorbed in his work and has little time to devote to financial affairs. Often he doesn't know with any exactitude the amount of his annual income. For this type of man a financial and protective plan for the future is essential and it must be followed through during that period of his life when his income is in the ascendency and rising to its peak. Life insurance, high grade investments and conservative securities are best suited to his thrift building.

Suitable Form of Insurance

Taking professional men as a class, the type of life insurance best suited to their needs is that on Limited Payment forms, under which the premium cost is definitely confined to a designated period. These Limited Payment policies are flexible enough to meet the needs of the average professional man who applies for protection under this plan.

Let us take the young doctor or lawyer of about age thirty, in the early years of his professional life, with a wife and one or two young children to support and to provide for in event of his untimely taking off. A policy on the 30-Payment Plan is distinctly applicable to his needs. At age thirty he is building up his practice, and gradually—probably *very* gradually—increasing his income. He may find it difficult to save much now excepting through this life insurance, and on this account, and because he has a young family to care for, he has a vital need of the protection afforded by life insurance. He should divert a good proportion of his annual surplus in this direction, and having done so he can pursue his professional duties with a freer mind and the satisfaction of having made an investment which requires no watching on his part.

Laying the Ground Work

A man age thirty can obtain a 30 Payment Life policy for $10,000 at an annual premium of about $200. The policy would be broadened by the inclusion, at a small additional cost, of the Disability Benefit and the additional Accidental Death Benefit. This $10,000 lays the groundwork of his insurance estate. The coverage should be enlarged as his responsibilities increase and his income grows, remembering always that a married man "has given hostages to fortune," and protection must be assured them.

During the years from forty to fifty the average professional man is rapidly approaching the peak of his career. Doctor, lawyer, litterateur—successful men of this type are sensitive to home surroundings and a good part of their income goes towards maintaining the standard of living compatible with their profession and the measure of their success. If the middle-aged professional man is to maintain his standard and compete with younger men he must be constantly studious, diligent in research, and abreast of the times. He has little spare time to study market conditions or familiarize himself with conditions in the investment field unless specially guided by competent authorities. Life insurance is a type of thrift fund preeminently suited to him. It creates an estate with the first premium payment; it protects his dependents; it provides for his own old age; and it guarantees a definitely stated amount at maturity.

In Later Life

The man of forty can with advantage consider the 20-Payment or 25-Payment Life Plan. When he has reached sixty or sixty-five, his children will doubtless be self-supporting and independent of him financially. Under such circumstances he can maintain that part of his life insurance which he considers essential for his beneficiary, and apply the cash value of the remainder to the purchase of an annuity yielding an income for the rest of his life. According to present annuity rates, a man age sixty-five can obtain a return of approximately 11% annually on the purchase price paid for an immediate annuity.

What the professional man should guard against is the deferment of his financial building fund until the later years of his career. Once his decline commences—and this is apt to be more acute in the case of a doctor whose busy life has been broken by irregular meals, long vigils at sick beds, and frequently too little sleep—it is more rapid,

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BYFI Presents Its Investment Suggestions in New Form

Revised Program Formulated in Accord With Readers' Requirements Offers Numerous Advantages

AFTER long study of readers' requirements, based on their correspondence, this department is convinced that it can render a greater service to those building their future incomes, through a revision of the form of BYFI's Investment Suggestions, which has been in use for the past two years.

Although all BYFI readers are interested in achieving the same goal of financial independence, it is to be expected that they represent many stages in its accomplishment. Not a few are only at the start of their program and are striving to accumulate the beginning of an investment principal. Others are purchasing their first securities and are concerned with problems of safety of principal and diversity of investment while still others, having accumulated a well diversified backlog of investments, are in a position to exercise more and more independent judgment, and are beginning to find their investment opportunities in the Bond Buyers' Guide, the Preferred Stock Guide and elsewhere in the Magazine.

To serve all types as well as possible we have devised the accompanying table of suggestions which appears in this issue for the first time, but which will hereafter be a regular feature of this department.

Two Major Divisions

It will be noted that the suggestions are divided into two parts: Accumulating principal, and investing. The first answers the frequent query "How can I build up a reserve, or an investment fund?" The second: "What shall I buy with my first thousand dollars," or, "How can I secure diversity of investment?"

The left-hand division endeavors to point out three practicable ways of accumulating funds. Saving banks are, of course, the first consideration under this head. They have the advantage of holding funds subject to immediate withdrawal (except in very unusual cases), and give the depositor a return on his funds averaging around 4% compounded. Their disadvantage lies in the lack of any compulsion toward regularity of saving which is the soul of successful accumulation.

Building and Loan shares overcome this difficulty by requiring definite payment on the shares every month with a fine for delinquency. Moreover, the return on money invested is higher than a savings bank rate, varying from 5 to as high as 8% in some well managed companies. Building and Loan shares are not adaptable to rapid accumulation of funds, however. To get the benefit of the full return it is necessary to make payments until maturity which averages from 10½ to 12 years.

The third alternative, endowment insurance, also has the element of gentle compulsion insofar as regularity of savings is concerned, and at the same time offers the advantage of life insurance protection during the life of the policy. The rate of return is not as high, on the average, as in the other two mediums and this form of accumulation is only recommended as an adjunct, and for a limited portion of the savings' program.

> ### *What the New Investment Suggestions Accomplish*
>
> ***1. Point the way to accumulation of investment capital for the beginner, with discussions of the functions and advantages of three major savings mediums.***
>
> ***2. Offer a progressive list of sound, income-bearing securities for the beginner-investor.***
>
> ***3. Provides: safety of principal, fair income return, protection of diversity.***

Having accumulated $500 or $1,000 dollars the investor is in a position to use the second half of the table and his first purchase should, of course, be the number one issue. Still continuing his savings program he is soon able to buy number two. By the time he has purchased number three he has a diversified list of three high grade bonds, a rail, a public utility and an industrial issue.

Still adhering to high grade issues, the investor continues to purchase from the list, in the order named, with perhaps some slight improvement in yield as the investor's earlier fundamental position warrants the assumption of a very slightly increasing element of risk. When the investor has gone through the list of suggestions he should be in possession of well-rounded investment backlog, embodying safety of principal, fair return and the protection of diversity.

BYFI's Suggestions are made with the object of providing for as nearly permanent investment as possible. That is to say, commitments should be made with an income objective and with the purpose of long retention. The element of profit through price appreciation is distinctly subordinate. Undoubtedly, these securities will fluctuate within rather narrow limits, with the rest of the securities market; but in so doing their prices and yields will in all probability represent the trend of all other bonds or stocks of like caliber and grade.

Of course, all securities in the list will be watched and readers advised through the pages of this department of changes or substitutions which may from time to time become necessary through redemptions or changes in the market or in the affairs of the companies, which would make an issue no longer suitable for retention.

Securities of the Former "Investment Suggestions"

It will be noted that some of the issues which were a part of the former BYFI Suggestions have been transferred to the current revised form. The fact, however,

that others have not been carried over is no implication that they are no longer fit for retention. On the contrary, all of them are yielding a favorable return, and not a few show substantial gains in price over a period of the past year. The purpose of the new table is somewhat different from that of the old, more emphasis being laid on the permanent feature of the investment and the maximum safety of principal. *Those who hold securities suggested in the old list may continue to do so with safety provided that from time to time they write to the Personal Service Department of this publication for advice as to the desirability of holding or reinvesting as the occasion arises.*

The Ten Suggestions in the New List

1. Illinois Central, 40-year 4¾s of 1966, are a direct obligation of the Illinois Central Railroad. The bonds, authorized and outstanding in the amount of 35 million dollars, are listed on the New York Stock Exchange and are available in units of $500 and $1,000. Redeemable, as a whole, or in part on any interest date after 1936 at 102½ and interest.

2. Public Service Electric and Gas Co. is an operating company under the Public Service Corp. of New Jersey. The first and refunding 5s of 1965 are outstanding to the extent of 22 million and are secured by a first mortgage on power plants comprising about two-thirds of the generating capacity of the company. The bonds are redeemable at 105 after 1953. They are available on the New York Stock Exchange in units of $500 or $1,000.

3. Standard Oil of New York, 25-year Debenture 4½s of 1951, are a direct obligation of the company, but not secured by mortgage. The issue, authorized and outstanding in the amount of 50 million, is redeemable at 102 after February, 1940. Available on the New York Stock Exchange in units of $500 and $1,000.

4. Western Pacific 1st series A 5s of 1946 are secured by first mortgage on 1,042 miles of road, and on equipment, terminals, etc. Of the authorized 50 million 33 million was outstanding on Jan. 1, 1928. Redeemable at par and interest on any interest date on 60 days' notice. Listed on the New York and San Francisco Exchanges and available in units of $100, $500 and $1,000.

5. Youngstown Sheet and Tube, first S. F. series A 5s of 1978, are secured by first mortgage on all of the fixed assets of the company and by stock pledge of subsidiaries. Of the 175 million dollars authorized 75 million are outstanding. Redeemable on any interest date at 105 until 1938 and thereafter at decreasing premium until maturity. Listed on the New York Stock Exchange and available in $500 and $1,000 units.

6. New York Steam first A 6s of 1951 are secured by first mortgage of all the physical property of this large steam distributing system operating in New York City. The mortgage is an open one, with $5.7 million outstanding. The bonds are redeemable at 107½ from May 1, 1932, to Nov. 1, 1936, at 105 from 1937 to 1941; and at 102½ thereafter. Available on the New York Stock Exchange in units of $500 and $1,000.

7. Chesapeake Corp. is a holding company for the majority of common stock of Chesapeake & Ohio Railroad. The 20-year Convertible 5s of 1947 are authorized and outstanding in the amount of 48 million dollars. They are secured by pledged stock of 600,000 common shares of Chesapeake & Ohio, into which the bonds are convertible at the option of the holder at any time after May 15, 1932, until redemption, at a price of $220 a share. The issue is listed on the New York Stock Exchange. The smallest unit is $1,000.

8. Associated Dry Goods Corp. controls an important chain of department stores in New York and other cities. The first 6% preferred stock, outstanding to the extent of 13.8 million, is the first capital liability, there being no funded debt. Dividends have been paid on the 1st preferred without interruption since 1917 and have been earned by a liberal margin. The shares are listed on the New York Stock Exchange.

9. Hudson and Manhattan owns and operates a passenger tunnel system between New York City and important railroads terminals in New Jersey. Since 1923 the system has been notably successful and dividends on the preferred

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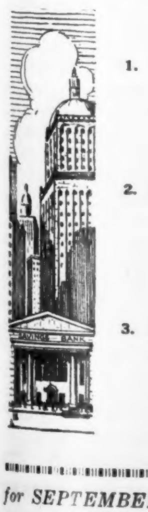
BYFI'S INVESTMENT SUGGESTIONS

THIS Revised BYFI Recommendation Table is intended primarily to serve as a constant guide to inexperienced investors through the early stages of their income building program. On the left is outlined the advantages and disadvantages of each of the three principal mediums for accumulating investment principal through regular savings. On the right is presented a progressive tabulation of investment securities suitable for the employment of sums accumulated through savings. These issues, if purchased in the order listed, are intended for a permanent investment, and, as such, will ultimately provide a sound backlog of income producing securities, affording safety of principal, fair return, and offering the protection of diversity.



Accumulating Savings

1. **SAVINGS BANKS.** A convenient depository for the accumulation of regular or intermittent savings at compound interest. Funds always available and may be withdrawn as soon as they reach suitable proportions for employment in more profitable medium.

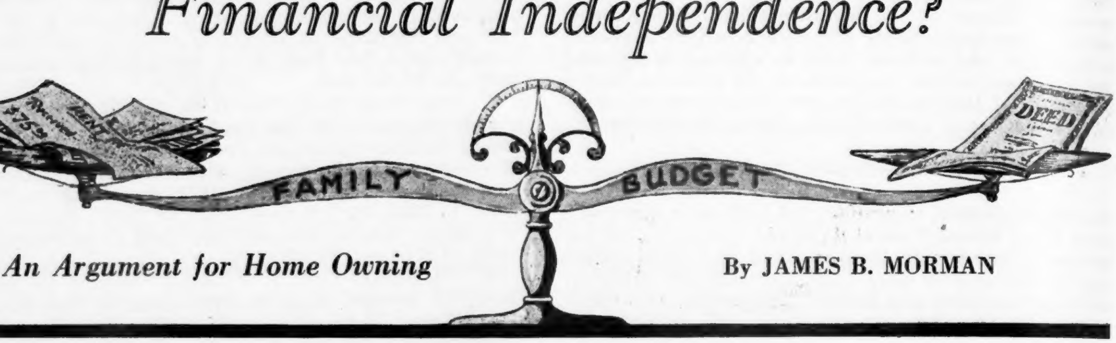
2. **SHARES OF WELL MANAGED BUILDING AND LOAN ASSOCIATIONS** may themselves be classed as investments but also serve as convenient long range (10 to 12 years) mediums for the accumulation of savings. Through regular monthly payments this form of savings also possesses the element of gentle compulsion.

3. **ENDOWMENT INSURANCE** is recommended as a means of securing insurance protection at the same time accumulating funds to be available at some future date. Also possesses merit of regularity in saving but in view of small return, should not occupy too large a place in the accumulating program.

First Investments

Security	Recent Price	Yield %
1. Illinois Central 40-year 4¾s, 1966	99¼	4.8
2. Public Service Elec. & Gas 1st & Ref. 5s, 1965	102	4.9
3. Standard Oil of N. Y. deb. 4½s, 1951	94½	4.9
4. Western Pacific 1st 5s, 1946	98	5.2
5. Youngstown Sheet & Tube 1st S.F. "A" 5s 1978	99¾	5.0
6. New York Steam 1st "A" 6s, 1947	105	5.5
7. Chesapeake Corp. Conv. Coll. 5s, 1947	97½	5.2
8. Associated Dry Goods 1st 6% Pfd.	100	6.0
9. Hudson & Manhattan Conv. 5% Pfd.	83¼	6.1
10. Southern Pacific common $6	123	4.9

Does the Payment of Rent Delay Financial Independence?



An Argument for Home Owning

By JAMES B. MORMAN

DURING the past few weeks I have been studying the family budgets which have appeared in the 1927 numbers of THE MAGAZINE OF WALL STREET. My purpose was to determine how many of the budgeteers were paying rent, whether or not they were planning to achieve financial independence, and what effect the payment of rent would be likely to have on delaying the attainment of their goal. The results have been so surprising that I believe they will prove of interest and value to those who are striving to achieve financial independence at from fifty to sixty years of age.

Rent the Highest Living Expense

Budgets were found which set forth the actual living expenditures of five families and one which gave the amount paid out as rent. The incomes on which these budgets were based ranged from about $3,000 to $9,000 a year. All the budgeteers were renters at the time the budgets were being prepared, though three of them afterwards undertook to buy their homes.

As compared with all other items, rent and food were invariably the two highest of all living costs, with rent in three instances more costly than food and generally the most expensive item of all. This proves conclusively the importance of the subject of rent to any family striving for financial independence. The following table presents the amounts paid out for rent as compared with the amounts expended for food:

Annual Cost of Rent and Food in Family Budgets

Issue of	Rent	Food
May 7, p. 43	$2,250	$1,554
June 4, p. 227	900	640
July 30, p. 610	1,200	1,200
July 30, p. 610	540	600
Aug. 13, p. 691	720	....
Oct. 22, p. 1131	720	600

These budgets show a wide variation in amounts paid out as rent as a result of a wide range in the family incomes. The highest rent paid was for a six-room modern apartment in New York City. The food budgets represent the actual annual costs except that of $640 which is calculated on the basis of a nine-months' budget for this item of living costs. In three instances the amounts paid out as rent exceed by far the amounts paid out for food; in one case the amounts paid for rent and food are the same; and only in one budget is the food cost more than the rent when it is $600 as compared with $540. A note, however, in this budget calls attention to the fact that the food item "is too high as an average year."

From the experience, therefore, of many persons it is evident that rent is practically the costliest item today in all family living expenses; and if the purchase of a home will effect a material annual saving during twenty or twenty-five years that are prospectively ahead of every family, it will certainly bring the day of financial independence nearer or yield a larger investment income when the contemplated age of retirement has been reached. It is perhaps the realization of this fact which prompts an increasing number of families to purchase homes in their early years.

What the Budgets Emphasize

In this connection it is interesting to note the service that family budgets perform in drawing attention to the great drain on income that the payment of rent for any length of time involves. Possibly readers of B Y F I have not had their attention called to this fact before; but it is important in its bearing on the attainment of financial independence. Let it be assumed that the above budgeteers will not attain this goal for 20 years. On the basis that there will be no increase or decrease in rent during this period, then the amounts of rent paid out will be as follows:

Rent at				In 20 years
$2,250	a	year	totals	$45,000
1,200	a	year	totals	24,000
900	a	year	totals	18,000
720	a	year	totals	14,400
540	a	year	totals	10,800

The foregoing statement shows that rent is the largest proportionate income expenditure whether the amounts paid are low, moderate or very high. It represents the cost of shelter as one of the primary needs of civilized life, and shelter must be paid for the same as food or clothing whether one rents or buys a home. The only questions which arise are as to which is the cheaper method of providing this important primary need of life and to what extent the cost of shelter affects the attainment of financial independence. Let us see if any light can be thrown on these two questions.

Rent Is Not an Investment

A vital distinction between the payment of money toward the purchase of a home and the payment of rent is that the former is a high-class investment while the latter is no investment at all. The mistake of regarding rent as an investment arises from a rather loose grasp of the significance and meaning of money terms. Thus rent is paid to a landlord as the price of shelter. It belongs on the expenditure side of a family budget. On the other hand, money paid toward the purchase of a home represents both the cost of shelter and an investment. It belongs partly on the positive side of a family budget because it is made with two objects in view, namely, of paying the cost of shelter and of increasing the family income. To treat rent money as an income producer or as an investment is not only a confusion of thought, but it leads to fallacious reasoning. The

THE author of this article advances an interesting argument for home owning as opposed to renting. In view of the fact that his premise is founded on the budget experiences of other BYFI readers, the discussion should be found applicable and helpful to many families.

two ideas are not reconcilable.

So far as a family's residence is concerned, the term "rent" signifies the cost of shelter. But when a couple is buying a home from savings instead of paying rent, the cost of shelter is summed up in interest on the price of the home, taxes, insurance, upkeep and other expense items which ownership always entails. If the latter cost of shelter is more economical than paying rent, the financial difference between the cost of shelter under owning and renting is the investment possibility afforded by home ownership.

The important question is, then, whether the cost of shelter is really cheaper with owning than with renting a home. Let me try to answer this question from my own experience.

After renting a home for several years, we tried buying a home in the firm belief that it would prove more economical than renting. For twenty years we lived in that home at Kensington, Md. During the first five years we paid interest on the mortgage, at the end of which time it was paid off from savings, paid the taxes and insurance, and maintained the home in good condition. In comparison with a fair rental for such a property, the cost of shelter under owning as represented by these expenditures was approximately $60 a year less, or $300 for the five years. But for the next fifteen years the annual saving of $60 formed the nucleus of our financial independence fund and was invested each year at 6% interest. This fund with the income therefrom was maintained intact, so that during the fifteen years the annual saving of $60 was really invested at 6% compound interest. At the end of the period computation shows that it amounted to $1,480. With the $300 saved during the first five years, our financial advantage from owning over renting a home totaled $1,780.

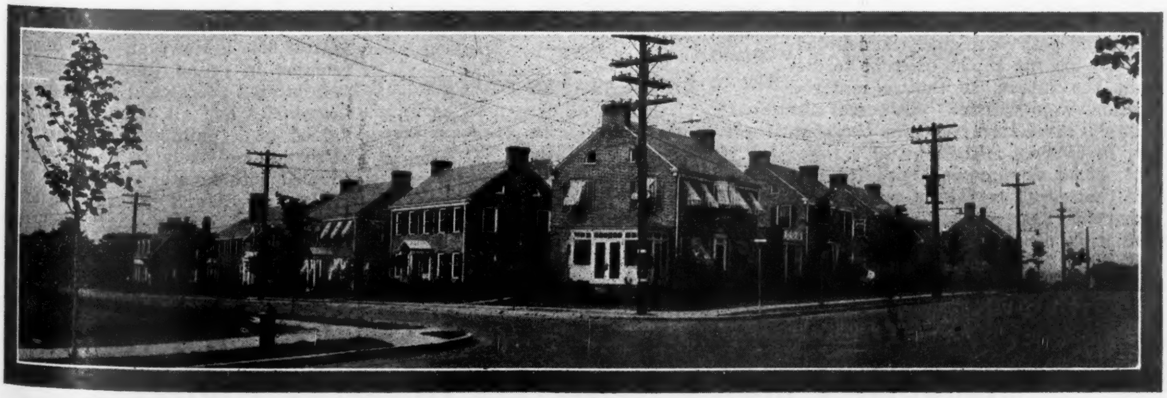
As a matter of fact, however, when our goal of financial independence had been attained, the home was sold for $3,400 more than we paid for it twenty years before. This was the unearned increment due to the rise in real estate values. Thus the savings in shelter cost and value of unearned increment totaled together $5,180. The income from this sum at 6% a year is $310. To this extent, therefore, the payment of rent during those twenty years would not only have delayed our financial independence for the number of years it would have taken us to save that much money from annual income, but the actual savings from buying a home now yield us an income of $310 a year and will continue to do so as long as we keep it invested at that rate of interest.

Opportunities Still Exist

The same financial economy of owning over renting a home prevails now in many other places just as it did in Maryland. The saving in the cost of shelter on my modest home investment of $5,500 is at least $100 a year. If a married couple at 25 years of age should plan for financial independence at the age of 50, and if they can, as a result of buying a home, save and invest at 6% compound interest so small a sum as $100 a year, it would in 25 years amount to $5,815 toward the financial goal they had set for themselves. Such would be the gain of small savings from buying a home instead of paying rent.

It is certainly gratifying to find from a study of family budgets that some families who practice budgeting do so for the purpose of having a balance left from income to provide something for savings and investment. One striking point is that they realize that rent money is not an investment, but rather as a major expenditure of income, tends to delay their attainment of financial independence. This is particularly shown by the fact that three of the six budgeteers turned from renters to become buyers of a home. One of them planned "to finance a $5,000 bungalow that will pay itself out in 12 years" by setting aside $60 a month, which was the same amount previously paid out as rent. Another, who had paid rent on a home for five years, said "this house was for sale for $7,500 and I am buying it. I had enough cash saved up to pay all that was needed, and a Building and Loan Association takes out a mortgage for the rest. It won't take long to clear it." The third young couple, after paying $60 a month rent for two years, decided to buy a home costing $10,000 by surrendering their equity in a lot "as a down payment of $2,000 leaving a balance of $8,000 to pay." But by setting aside $41.75 a month from income, as compared with $60 a month for rent, they expect to have the home paid for in 16 years.

From all of which it is plain that family budgets have been serviceable in starting many renters on the road to home ownership. In my judgment likewise they are making no mistake from the viewpoint of financial economy and certainly not from the fullest enjoyment of life by successful investment. They are both hastening the day and enlarging their income when the important goal of financial independence has been at last attained.



·SERVICE·SECTION·

ANSWERS TO INQUIRIES

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4. ***Write name and address plainly.***

AMERICAN RAYON COMPANIES

I hold Celanese Corporation common and Tubize Art Silk B. The former has declined this year from 103 to 64, and the latter from 630 to 460, now about 500. Should I hold or sell?—P. T. B., Buffalo, N. Y.

Tubize uses the nitro-cellulose process, which was the first to be developed, but which now accounts for only about 8% of the world's rayon production. Celanese employs the cellulose-acetate method, which came later. It operates under the Dreyfus patents, rights having been obtained from the British Celanese Co., and the two represent about 6% of the industry. The viscose process, the last to be perfected, nevertheless, now covers from 80 to 85% of the world's production. While the viscose rayon does not resemble silk as closely as the Celanese product, it has been much improved in the last few years, and the increasing competition of viscose has undoubtedly been considerably felt by both Tubize and Celanese.

The growth of the rayon industry, as a whole, has not yet encountered any important check, though there has seemed to be some over-production in Europe during the past six months. In America, at any rate, it is believed that the end of the increase in the use of rayon is not yet in sight. The perfection of methods will doubtless permit a further reduction of prices, thus broadening the field.

Rayon prospects have made a strong appeal to the imagination of speculators and both your stocks undoubtedly went too far in the attempt to discount the future, so that a material reaction was natural. Celanese, for example, earned only 49c for the common in 1926 and $1.72 in 1927. For 1928, $3.00 or more is hoped for, but even that result would not warrant the high prices seen early this year.

Another element in the situation is that large producers are planning to test the validity of the exclusive rights under the Dreyfus patents. This has especially affected British Celanese, Ltd., which has declined this year from 34 to 13 on the N. Y. Curb. Celanese Corporation naturally enough believes that its patent rights are unassailable, but uncertainty has been created in the minds of investors.

In view of the growing market for rayon products and apparent prospects for a good fall trade, it might be as well, since you are evidently prepared to take a speculative risk, to hold Tubize pending further developments, and to switch the Celanese common into the 7% participating preferred, now around 125, on which the dividend seems secure. This issue sold at 185½ earlier in the year.

UNITED STATES RUBBER

I am entirely at sea as to what I ought to do with my U. S. Rubber stock. The money represented by my 15 shares may not seem to be very much. But it means a lot to me. Apparently all the profit the company makes is more than wiped out by readjusting their inventories. Is there any real light ahead?—V. L., New York, N. Y.

Reflecting a further drastic decline in crude rubber prices, together with generally unfavorable prices of rubber goods U. S. Rubber, despite sales in the first six months this year in excess of those for the same period of 1927, suffered a sharp decline in earnings, net income available for the preferred stock amounting to only $63,391, before adjustments, and after including $1,000,000 income from its subsidiary, the U. S. Rubber Plantations, Inc., against income of $3,240,963 in the first six months of 1927, the latter without benefit of any income from its plantation subsidiary. As of June 30, 1928, crude rubber inventories, including the company's proportion of rubber held in the National Crude Rubber Reserve, together with rubber content of finished goods in process, were written down to a basis of 20 cents a pound, necessitating a devaluation totalling $14,147,659. However, the company remains in sound financial condition, and entered the second half year with inventories and all other commitments valued at a minimum, so that with sales volume likely to be maintained, coupled with greater stability of crude rubber prices and the absence of indications of further sharp reductions in prices of finished goods, promise is

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ANSWERS TO INQUIRIES

(*Continued from page* 856)

held forth of material improvement in the current six months. The worst aspects of the situation seem well reflected in present prices of the common shares and we believe retention justified for the time being at least with a view to developments.

LOUISIANA OIL REFINING

Would you recommend that I hold 100 shares of Louisiana Oil which cost me 14—just about the present market price? I bought this as a speculation but didn't take my profit when Louisiana was up before the June break. I cannot afford to carry this indefinitely.—G. J. W., Hartford, Conn.

Louisiana Oil Refining Corporation has been making progress in rounding out its organization and is now engaged in production, transportation, refining and distribution of crude oil and its products. Unfortunately, however, the company has not as yet derived the maximum of benefit from its improved trade position due to the depression which has existed in the oil industry for some time past. Earnings last year were equal to only $4.72 per share on the preferred stock as compared with $50.98 and $1.62 per share on the preferred and common stock respectively in 1926. The showing in the first six months of the current year was somewhat better with net income equal to 35 cents per share on the common stock. A late balance sheet reveals reasonably sound financial condition, although a decline in working capital to $2,191,000 may ultimately necessitate some financing on the part of the company. Common shares have a book value slightly less than $14 per share but the prospect of a dividend payment is not especially bright nor likely to be enhanced, pending the complete recovery of the oil industry. Therefore, while we would be willing to concede the company's progress in the right direction, we are of the opinion that there are other oil speculations having a greater degree of intrinsic merit.

GENERAL BAKING

What is your opinion of General Baking as a stock to hold for the long pull? I own 200 shares of the new common on which I have about three points profit. Considering the low price, this tempts me to sell. But if the stock is real good I wonder whether I had not better consider it as one of my permanent investments.—A. G. D., Des Moines, Iowa.

The General Baking Corporation is rated as one of the most important factors in its field, operating 43 plants throughout the United States, producing the well known brand of "Bond Bread." Stimulated by a nation-wide advertising campaign, sales of the company's products have gained rapidly in recent years but unfavorable conditions within the industry itself have prevented profits from showing a corre-

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(Continued from page 858)

sponding gain. Faced with exceedingly keen competition on one hand and the consequent necessity of reducing selling prices to a minimum and high raw material and labor costs on the other, profit margins are exceedingly thin. The policy on the part of several large chain store organizations in baking their own bread, which is sold practically at cost for the purpose of attracting trade, has presented the baking industry with a considerable problem. On the basis of present capitalization, consisting of 992,980 shares of $6 preferred stock and 3,472,176 shares of common stock, earnings of the company in 1927 were equal to $7.06 per share on the preferred stock as compared with $5.54 per share the previous year. In the period covered by the 27 weeks ended July 7, 1928, net income showed a decline of approximately 11% and was equal to only 29 cents a share of common stock as against 42 cents per share in the same period of 1927. Considerable money has been spent by the company in expansion of facilities and plant improvement which may be expected to find some evidence in the income account in the not distant future. However, it is likely to be some time before earnings applicable to the common stock will justify levels for the shares materially above those now prevailing and unless you are willing to view your commitment as an extremely long pull proposition, we would be inclined to favor the employment of your funds in issues having near-term prospects of a more encouraging character.

SINCLAIR CONSOLIDATED OIL

I have carried my Sinclair stock through the last four years without dividends in the expectation that the company would get back upon a dividend basis. I know their failure to do this is partly due to the general oil situation. Granting that the oil outlook is improving, what do you think about the prospects for Sinclair's resuming dividends?—G. W. T., Chicago, Ill.

The Sinclair Consolidated Oil Corporation is a completely integrated unit, being engaged in all phases of the oil industry and as a result of the expenditure of substantial sums of money in recent years now ranks as one of the most important independent companies. The expansion program, however, has resulted in a substantial increase in the obligations ahead of the common stock with the result that earnings, as applied to the junior shares, have failed to reflect the growth of the enterprise. Moreover, the benefits which accrued to the company in the form of increased production, refinery output, and gasoline sales were obscured by the unfavorable conditions which have prevailed in the oil industry. Last year, earnings were equal to only 89 cents a share on the common stock, as contrasted with $3.60 per share in the previous year and $1.01 per share in 1925. Operating results in the first six months of the current year have failed to show any improve-

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New York Stock Exchange

RAILS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1927 High	Low	1928 High	Low	Last Sale 8/29/28	Div'd $ Per Share
Atchison	125⅝	90¼	111¼	70	200	91¾	197⅛	182⅜	194¼	10
Do Pfd.	106¾	96	102⅛	75	106¾	72	108½	102½	104½	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	191½	163	169	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	125	27⅝	119⅞	103¾	111	6
Do Pfd.	96	77¼	80	48¼	83	38⅛	85	78	†79	4
B'klyn-Man. Transit	..	..	..	..	77⅞	9¼	77¾	53⅜	66½	4
Do Pfd.	..	..	..	..	89¾	31⅜	95⅜	82	†90½	6
Canadian Pacific	283	165	220⅛	126	219	101	223¾	195½	214¾	10
Chesapeake & Ohio	92	51⅛	71	35⅝	218½	46	205¼	175½	185¼	10
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	40⅛	22¼	37¾	..
Do Pfd.	181	130½	143	62½	76	7	53¼	37	52⅝	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	94¼	78	85¼	4
Chicago, R. I. & Pacific	..	..	45¾	16	116	19⅛	124¾	106	123	6
Do 7% Pfd.	..	..	94¾	44	111¾	64	111½	106¼	†108	7
Do 6% Pfd.	..	..	80	35¾	104	54	105	100	101¼	6
Delaware & Hudson	200	147½	159½	87	230	83¼	226	163¼	198½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	150	129	†133	7
Erie	61¼	33½	59½	18¾	69¾	7	66⅛	48¾	52	..
Do 1st Pfd.	49¾	26¼	54¾	15⅛	66¼	11⅛	63⅞	50	57⅜	..
Do 2nd Pfd.	89⅛	19½	45⅝	13⅛	64½	7⅛	62	49¼	†54½	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	103⅞	50⅝	109	93⅞	99⅞	5
Hudson & Manhattan	..	..	..	..	65⅞	20⅝	73½	51	57	2½
Illinois Central	162⅛	102¾	115	85¾	139⅜	80⅞	148¾	131¾	142¾	7
Interborough Rap. Transit	..	..	..	..	53¾	9⅛	62	29	35⅝	..
Kansas City Southern	50¼	21⅜	35⅛	13⅛	70½	13½	63⅛	43	57¾	..
Do Pfd.	75½	56	65½	40	73½	40	77	66½	†69	4
Lehigh Valley	121¼	62½	87⅛	50⅝	137½	39½	116	84⅛	99¼	3½
Louisville & Nashville	170	121	141⅞	103	159⅛	84¾	159½	139½	†143½	7
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	56½	*¾	42⅞	30½	41½	..
Do Pfd.	*73¼	*46	*60	*6⅛	109½	*2	109	101½	104⅝	7
Missouri Pacific	*77½	*21½	38½	19⅞	62	8¼	71½	41⅞	70⅛	..
Do Pfd.	..	..	64⅞	37½	118⅝	22¼	123⅜	105	120¾	..
N. Y. Central	147¾	90⅜	114¼	62½	171½	64⅛	191½	156	173½	8
N. Y., Chi. & St. Louis	109¾	90	90¾	55	204½	23¾	146	123	124½	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	63⅜	9⅝	68⅜	54⅜	60¼	2
N. Y., Ontario & W	55⅜	25⅛	35	17	41¾	14¼	39	24	28	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	202	84¼	197	175	185	8
Northern Pacific	150½	101¾	118⅞	75	102⅛	47⅞	105½	92⅜	97½	5
Pennsylvania	75⅝	53	61½	40¼	68	32¼	72½	61⅞	64¼	3½
Pere Marquette	*36½	*15	38⅛	9½	140¾	12⅛	146	124⅞	†130	‡6
Pittsburgh & W. Va.	..	..	40⅜	17¾	174	21⅛	161	121¼	150	6
Reading	89⅝	59	115½	60⅛	123¾	51⅞	119⅜	94¼	103¼	4
Do 1st Pfd.	46¾	41¼	46	34	61	32⅞	46	42	†42	2
Do 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	59⅞	44	†47	2
St. Louis-San Fran.	*74	*13	50½	21	117¼	10¾	122	109	117½	‡7
St. Louis-Southwestern	40⅜	18½	32⅛	11	93	10⅞	105⅝	67½	102⅞	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	30½	11⅝	14¾	..
Do Pfd.	56½	23½	58	15⅛	51½	3	38	17	18¼	..
Southern Pacific	139⅛	83	110	75¾	126⅞	67½	131¼	117⅝	123¼	6
Southern Railway	34	18	36¾	12½	149	24¾	165⅝	139½	150½	8
Do Pfd.	86⅞	43	85¼	42	101⅛	42	102¼	98¼	†99	5
Texas & Pacific	40½	10¼	29½	6⅛	103⅞	14	194	99½	194	5
Union Pacific	219	137¾	164⅜	101¼	197¾	110	204¾	186½	197¾	10
Do Pfd.	118½	79¾	86	69	85½	6¼	87¼	83	†83¼	4
Wabash	*27⅞	*2	17½	7	81	6	96¼	51	78¼	..
Do Pfd. A	*61¾	*6⅛	60½	30⅞	101	17	102	88⅛	96½	5
Do Pfd. B	..	..	32⅞	18	98	12¼	99¼	87	92	5
Western Maryland	*56	*40	23	9¼	67⅞	8	54¾	31¾	44⅜	..
Do 2nd Pfd.	*88¼	*53½	*58	20	67½	11	54⅞	33⅛	44	..
Western Pacific	..	..	25½	11	47½	12	37½	28¼	33¾	..
Do Pfd.	..	..	64	35	86½	51⅛	62⅛	52⅛	60	..
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	130	6	90	67	84½	..

INDUSTRIALS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1927 High	Low	1928 High	Low	Last Sale 8/29/28	Div'd $ Per Share
Adams Express	270	90	154½	42	210	22	378	195	†330	6
Ajax Rubber	..	..	89⅛	45⅛	113	4⅛	14⅜	7½	9	..
Allied Chem. & Dye	..	..	..	..	169¼	34	204	146	198¼	6
Do Pfd	..	..	..	..	124	83	125¾	120½	†122½	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	118¾	26⅛	134¾	115⅛	134¾	7
Am. Agric. Chem.	63⅝	33⅛	106	47¾	113¾	7⅛	23¼	15⅝	19⅛	..
Do Pfd.	105	90	103⅛	89⅛	103	18	76⅛	55⅝	71	..
Am. Beet Sugar	77	19¾	108½	19	103¾	15⅛	24½	14¾	24	..
Am. Bosch Magneto	..	..	..	..	143⅞	13	41	15⅜	32	..
Am. Can	47⅜	6⅞	63⅛	19¼	*344½	*21¾	111	70⅛	109½	2
Do Pfd	129¼	98	114⅛	80	141⅜	72	147	136⅜	†140	7
Am. Car & Foundry	76½	36⅛	98	40	*201	97⅛	111⅛	88¼	94½	6
Do Pfd	124¾	107½	119⅛	100	134¾	105¾	137½	110⅝	†116	7
Am. Express	300	94¾	140½	77½	183	76⅛	228	169	226¾	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	15⅝	9⅝	10	..
Do Pfd	51⅞	15⅛	94⅞	10	142⅝	29¾	67⅝	40	†41½	..
Am. Ice	..	..	49	8⅞	*139	25¾	46⅝	28	44⅜	2
Am. International	..	..	62⅜	12	132¼	17	125	71	106⅞	2
Am. Linseed Pfd.	47¾	20	92	24	113	4⅛	130⅛	86½	†115	7
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	115	87	97½	8
Do Pfd.	122	75	109	93	127	96½	134	114	†114	7
Am. Metal	..	..	..	..	67⅜	36⅛	51	39	49¼	3
Am. Radiator	*500	*200	*445	*235	*345	64	155¾	130⅛	154	5
Am. Safety Razor	..	..	..	..	76⅜	*8⅛	68⅞	56	65⅝	4
Am. Ship & Commerce	..	..	..	..	47⅛	2½	6⅛	3⅛	4⅛	..
Am. Smelt. & Ref.	105⅛	56⅝	123¾	50⅛	183¾	29¼	248	169	248	8
Do Pfd.	74⅛	24⅛	95	44	133	18	148	131	†132	7
Am. Steel Foundries	116¾	98¼	118⅞	97	122⅜	41⅛	70⅜	50⅛	55⅛	3
Do Pfd.	..	..	..	..	115	78	115	109	†111	7

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1927 High	Post-War Period 1919-1927 Low	1928 High	1928 Low	Last Sale 8/29/28	Div'd $ Per Share
Am. Sugar Refining	136⅝	99⅞	126½	89⅛	143⅜	36	78¼	55	71	..
Do Pfd.	133½	110	123½	106	119	67½	110½	100	†107⅝	7
Am. Tel & Tel.	153⅝	101	134½	90⅝	185½	92⅛	211	172	179¼	9
Am. Tobacco	*530	*200	*256	*123	*314½	82½	176	152	163¾	8
Do Com. B	..	..	..	..	*210	81¼	177	152	163⅞	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	70¾	52	58½	‡1
Am. Woolen	40⅝	15	60⅞	12	169½	16½	24¾	14	16¾	..
Do Pfd.	107¾	74	102	72½	111⅞	46⅞	62¼	40⅛	42¼	..
Anaconda Copper	54⅜	27⅛	105⅜	24¼	77⅞	28½	74⅞	53¾	73	4
Associated Dry Goods	..	..	28	10	140½	39½	49½	40½	48	2½
Do 1st Pfd.	..	..	75	50½	112	49⅞	113⅞	99¾	†98	6
Do 2nd Pfd.	..	..	49½	35	114	38	119½	109	109¾	7
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	59⅞	37⅛	51⅞	..
Do Pfd.	32	10	74¾	9⅞	76½	6¾	57¼	38	54½	3
Atlantic Refining	..	..	..	..	*1575	78½	171½	95¾	167	4
Austin Nichols	..	..	..	..	40⅜	4¼	9¼	4	5⅛	..
Do Pfd.	..	..	..	..	95	23½	39	25	†26½	..
Baldwin Locomotive	60¾	36½	154½	26⅝	265¾	62¼	285	235	†247	7
Do Pfd.	107½	100¼	114	90	125¼	92	124¾	116⅜	†117	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	69⅞	51⅞	62⅞	..
Do 7% Pfd.	80	47	186	68	108	78	125	116⅛	119¾	7
Brooklyn Edison Electric	134	123	131	87	225	82	268¼	206¾	257	8
Brooklyn Union Gas	164½	118	138¾	78	157½	41	159¼	139	150	5
Burns Brothers	45	41	161½	50	147	76	125½	93½	†116	8
Do B	..	..	..	..	53	16¼	43⅜	15⅞	31½	..
Butte & Superior	..	..	105¼	12¼	37⅞	6⅛	16¾	8¾	10⅜	2
California Packing	..	..	50	30	*179½	48¼	79¾	68½	73¼	4
California Petroleum	72½	16	42⅝	8	*71⅞	15⅜	32¾	24	31½	1
Cerro de Pasco Copper	..	..	55	25	73½	23	79¼	61½	77	5
Chile Copper	..	..	39¼	11¼	44⅜	7	46¾	37⅜	45⅜	2½
Chrysler Corp.	..	..	..	..	*253	38½	100	54¾	96½	3
Coca Cola	..	..	..	..	177¾	18	177¾	127	165⅞	6
Colorado Fuel & Iron	53	22½	66½	20½	96⅜	20	84⅛	52⅛	67½	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	121⅞	89½	118	5
Congoleum-Nairn	..	..	..	*184⅜	*184⅜	12½	31½	22	25	..
Consolidated Cigar	..	..	..	..	87¼	11⅜	99	79½	92	7
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	80⅜	74	78¼	..
Continental Can	..	..	*127	*37½	*131¾	34⅜	118⅞	80¼	117⅜	5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	85⅝	64⅜	82¾	‡2
Do Pfd.	98½	61	113½	58⅛	142¼	96	146¾	138½	†140¼	7
Crucible Steel	19⅝	6½	109⅞	12¼	*278½	48	93	69¼	80	5
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	4⅞	7½	4⅜	4½	..
Do Pfd.	..	..	100½	77¼	87	13⅛	32⅜	15	17	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	24¼	16½	17¾	..
Cuyamel Fruit	..	..	..	..	74½	30	55¾	49	50	..
Davison Chemical	..	..	..	..	81¼	20⅜	59½	34⅜	56	..
Dupont de Nemours	..	..	..	..	*380	105	405½	310	384⅜	‡10
Eastman Kodak	*No Sales		*605	*690	*690	70	194¼	163	184	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	84⅞	69	83	5
Endicott-Johnson	..	..	..	..	150	44	85	75¼	77⅛	5
Do Pfd.	..	..	..	..	125	84	127	121¼	†123¾	7
Fisk Rubber	..	..	..	..	55	5½	17¾	8⅞	12	..
Do 1st Pfd.	..	..	..	..	116½	38⅛	91⅛	58½	70	7
Fleischmann Co.	..	..	..	..	*171½	46⅛	77¼	65	75⅛	3
Foundation Co.	..	..	..	..	183¾	35½	55¾	37	38	..
Freeport-Texas	..	..	70½	25¾	106½	7½	109¼	55	58⅜	‡4
General Asphalt	42⅞	15½	39⅜	14¼	160	28	94⅞	68	76⅜	..
General Cigar	..	..	..	..	*115¼	46	75⅜	59⅛	62	..
General Electric	188½	129¾	187¼	118	*386½	81	174½	124	167	‡4
General Motors	*51¾	*25	*850	*74½	*282	*8⅛	210	130	195	‡5
Do 7% Pfd.	..	..	..	125¾	125¾	95⅛	127½	123½	124½	7
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	96½	17	99⅜	68½	83⅝	4
Do Pfd.	109¾	73⅜	116¾	79⅞	111½	62½	115⅝	109½	†111¾	7
Goodyear T. & R. Pfd.	..	..	..	..	72½	5	72½	45⅛	63	..
Do Pfd.	..	..	..	..	99⅛	92½	99½	92½	98⅝	7
Granby Consolidated	78¼	26	120	58	80	12	59⅜	39⅛	58¾	4
Great Northern Ore Ctfs.	88½	25½	50⅜	22½	52¾	18	25	19¼	21⅛	1½
Gulf States Steel	..	..	137	58¾	104⅝	25	69	51	62½	..
Houston Oil	25½	8	86	10	175¾	40½	167	119	140¼	..
Hudson Motor Car	..	..	..	..	139½	19½	99⅞	75	80½	5
Hupp Motor Car	..	..	11	2½	36¼	4⅝	66½	29	64½	2
Inland Steel	..	..	..	..	62⅜	31⅛	67¾	46	66¾	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	20¾	25⅞	18	22⅝	..
Inter. Business Mach.	..	..	52⅝	24	*176¼	28¾	147¾	114	126½	5
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	72⅜	45¼	62	2
Inter. Harvester	..	..	121	104	255⅝	66¾	290	224¾	290	‡6
Inter. Mercl. Marine	9	2⅛	50⅝	⅝	67¾	3¼	7⅜	3¾	5	..
Do Pfd.	27⅝	12½	125⅝	8	128½	18½	44⅝	34⅛	36	..
Inter. Nickel	*227¼	*135	57½	24½	89½	24¼	115¼	73⅝	113	3
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	86⅜	66	69½	2.40
Kelly-Springfield Tire	..	..	85	36⅞	164	9	27⅜	15	20⅜	..
Do 8% Pfd.	..	..	101	72	110	33	84	55¼	65½	..
Kennecott Copper	..	..	64¼	25	90⅜	14⅝	98½	80⅛	98¼	6
Kinney (G. R.) Co.	..	..	..	..	103	19¾	52	37⅝	†38½	..
Lima Locomotive	..	..	..	..	76⅜	49	65⅞	38	43	..
Loew's, Inc.	..	..	..	..	68⅞	10	77	49⅛	58⅛	2
Loft, Inc.	..	..	..	..	28	5	19⅜	5⅜	14¾	..
Lorillard (P.) Co.	*215¼	*150	*239⅞	*144½	*245	23⅛	46⅞	23⅜	28¾	..
Mack Trucks	..	..	..	..	242	25½	107⅞	83	94¾	6
Magma Copper	..	..	..	..	58¾	26⅛	56¾	43¾	52⅛	3
Mallinson & Co.	..	..	..	..	45	8	28⅞	16	22⅞	..
Maracaibo Oil Explor.	..	..	..	..	37½	12	25¼	12½	16⅛	..
Marland Oil	..	..	..	..	63¾	12⅛	44½	33	37	..
May Department Stores	*88	*65	*97½	*85	*174¾	*60	86	75	85¼	4
Mexican Seaboard Oil	..	..	..	..	34¼	3	39	4⅜	29½	..
Miami Copper	30¼	12¾	49¾	16½	32¾	8	22⅛	17¾	21½	1½
Montgomery Ward	..	..	..	..	123⅛	12	221	117	218½	4
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	182	159½	175	‡6
National Dairy Prod.	..	..	..	..	81⅞	30⅛	95¾	64½	94¾	3
National Enam. & Stamp	30¼	9	54½	9	89½	18½	37½	23¼	30⅜	..

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New York Stock Exchange
Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1927 High	Low	1928 High	Low	Last Sale 8/29/28	Div'd $ Per Share
National Lead	91	42½	74⅝	44	*202¾	63⅛	136	115	†122¼	5
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	50½	40	†42	3
N. Y. Dock	40¼	8	27	9¼	70⅜	15¼	64¼	47	49¼	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	78⅛	58⅝	74⅛	§10%
Do Pfd.	..	..	..	..	55	31⅞	55⅝	52	53¼	3
Packard Motor Car	..	..	..	..	62	9⅞	85	56¼	81⅞	3
Pan.-Am. Pet. & Trans	..	..	70¾	35	140¼	38⅛	53¾	38¼	39½	..
Do Class B	..	..	..	..	111¾	34⅛	54⅝	37¾	40⅝	..
Paramount-Fam. Players Lasky	..	..	..	..	127½	40	143½	111¼	142	8
Philadelphia Co.	59	37	48⅞	21½	153½	26½	174¾	145	†164	‡4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	39⅜	27⅜	30	..
Phillips Petroleum	..	..	..	..	69⅝	16	44⅝	35¼	39	1½
Pierce-Arrow	..	..	65	25	99	6⅛	18⅜	10½	14¾	..
Do Pfd.	..	..	109	88	127¼	13½	65⅞	39⅞	64⅞	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	29	55	36⅛	48	..
Postum Co.	..	..	..	..	*134	*47	73	61⅜	71⅜	3
Pressed Steel Car	56	18½	88	17¼	113¾	34⅛	26⅞	18	23	..
Do Pfd.	112	88½	109⅛	69	106	67	88	72	78½	7
Pub. Serv. N. J.	..	..	..	..	*98⅞	*29	66⅝	41½	64⅜	2
Pullman, Inc.	200	149	177	106½	199½	*87¼	94	78⅛	82⅞	4
Punta Alegre Sugar	..	..	51	29	120	24¾	34⅞	23¼	24	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	27½	19	23	½
Radio Corp. of America	..	..	..	..	101	25⅞	224	85¼	197½	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	69¾	49⅛	63¾	4
Do Pfd.	111¼	64½	112⅝	72	106¾	74	112	102	†106½	7
Royal Dutch, N. Y.	..	..	86	56	123⅝	40⅜	59¼	44⅝	58⅞	1.35
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	42⅛	37	41	2
Schulte Retail Stores	..	..	..	..	*134⅞	47	67½	49⅞	60⅝	3½
Sears, Roebuck & Co.	*124¾	*101	*233	*120	*243	51	152⅞	82⅛	148⅝	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	51	39⅝	†51½	2.425
Shell Union Oil	..	..	..	..	31¾	12⅛	37	23¼	26¾	1.40
Simmons Company	..	..	..	..	64¾	22	73	55¾	64	3
Simms Petroleum	..	..	..	..	28½	6⅛	25¼	18⅛	20¾	..
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	30¾	17⅜	25¾	..
Skelly Oil	..	..	..	..	37⅛	8⅝	34	25	30¾	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	148½	32⅛	134	102	†112	6
Standard Oil of Calif.	..	..	..	..	*135	47½	63⅞	53	58⅜	2½
Standard Oil of N. J.	*488	*322	*800	*355	*212	30⅞	49	37¾	45	‡1
Stewart-Warner Speed	..	..	*100½	*43	*181	21	102⅜	77¼	100⅝	6
Stromberg Carburetor	..	..	45¼	21	118¼	22½	74¾	44	51⅛	2
Studebaker Company	49½	15¾	195	20	*151	30½	82⅜	57	76½	5
Do Pfd.	98⅛	64½	119⅛	70	125	76	127	124¾	†125	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	16⅜	10½	15	1
Texas Company	144	74½	243	112	58	29	66⅜	50	62	3
Texas Gulf Sulphur	..	..	..	..	*184	32⅝	80⅝	62⅛	71	4
Tex. & Pac. Coal & Oil	..	..	..	..	*275	12	17½	12⅛	13⅝	..
Tide Water Oil	..	..	225	165	*195	5½	27⅜	19⅝	†26½	.80
Timken Roller Bearing	..	..	..	..	142½	28½	134	112⅝	130⅞	‡4
Tobacco Products	145	100	82⅜	25	117⅝	45	118⅛	93	100	..
Do Class A	..	..	..	..	123⅞	76	128	109⅞	114	7
Transcontinental Oil	..	..	..	..	62⅝	1⅛	10⅛	6⅜	7¾	..
Union Oil of Calif.	..	..	..	..	58⅜	33	57	42¾	50½	‡2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	34⅝	22⅞	28½	1
United Fruit	208½	126½	175	105	*294	95¾	146¼	131½	137¾	4
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7⅜	250	10½	300	190⅛	245	10
Do Pfd.	84	40	67½	30	125	38	137	115	†125	7
U. S. Indus. Alcohol	57¼	24	171⅛	15	167	35½	122¼	102⅛	119¼	5
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17	93⅝	61¼	83⅞	4
U. S. Rubber	59¼	27	80½	44	143¾	22½	63¼	27	38½	..
Do 1st Pfd.	123½	98	115½	91	119½	66½	109⅝	55	73½	..
U. S. Smelt., Ref. & M'n	59	30⅜	81½	20	78¼	18⅜	52	39½	50¼	3½
U. S. Steel	94⅞	41¼	136⅝	38	160½	70¼	155⅝	132⅝	154½	7
Do Pfd.	131	102½	123	102	141¼	104	147¼	138⅝	140¼	7
Utah Copper	67½	38	130	48½	162	41¼				
Vanadium Corp.	..	..	..	..	97	19⅛	96	60	77	3
Western Union	86¼	56	105½	53⅜	176	76	177½	139½	147	8
Westinghouse Air Brake	141	139¼	143	96	*198	40	57⅝	42⅛	45⅛	2
Westinghouse E. & M.	45	24⅜	74⅞	32	94¾	38⅞	112	88⅛	104⅛	4
White Eagle Oil	..	..	..	..	34	20	26⅝	20⅛	25¼	1
White Motors	..	..	60	30	104½	29¼	43⅜	30¼	40⅞	1
Willys-Overland	*75	*50	*325	15	40¼	4½	28⅝	17¾	22	1.20
Do Pfd.	..	..	100	69	123⅞	23	101½	92¾	96¾	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	16	11⅛	13¼	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	204¾	175½	199⅞	5
Worthington Pump	..	..	69	23¼	117	19	44	28	40	..
Do Pfd. A	..	..	100	85⅝	96⅛	44	59	46¼	56	..
Do Pfd. B	..	..	78⅝	50	81	37	52	41	†48	..
Youngstown Sh. & Tube	..	..	..	..	100⅛	59¾	106⅞	83⅛	91½	5

† Bid price. ‡ Not including extras. § In stock. * Old stock.

Securities and Commodities Analyzed, Rated and Mentioned in this Issue.

RAILROADS

PETROLEUM

INDUSTRIALS

BONDS

MINING

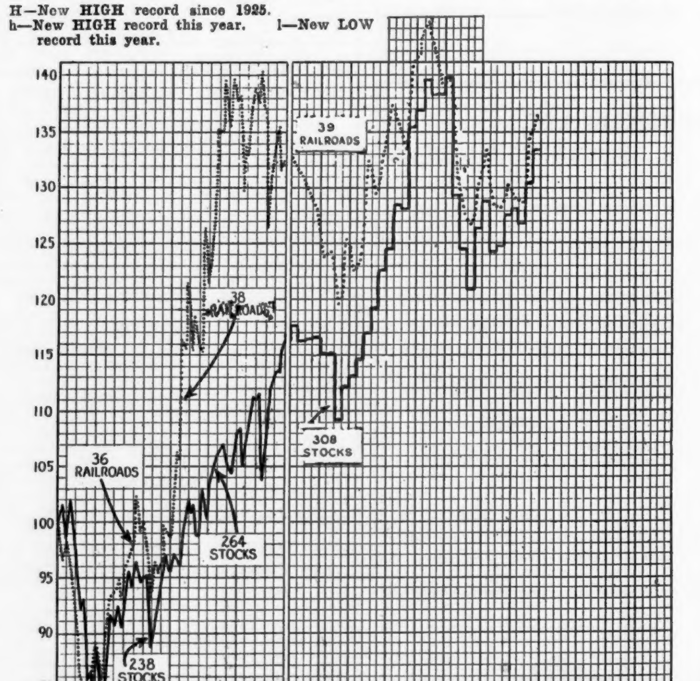
COMMODITIES

PUBLIC UTILITIES

THE MAGAZINE OF WALL STREET'S
COMMON STOCK PRICE INDEX
(1925 Closing Prices = 100)

Number of Issues in Group	Group	1928 Indexes (308 Issues) High	1928 Indexes (308 Issues) Low	Recent Indexes Aug. 18	Recent Indexes Aug. 25	1927 Indexes (264 Issues) Close	1927 Indexes (264 Issues) High	1927 Indexes (264 Issues) Low
308	**COMBINED AVERAGE**	139.9	109.2	130.3	133.4	116.3	116.3	95.7
39	Railroads	144.6	119.5	134.4	136.4	132.0	140.2	98.5
2	Agricultural Implements	363.6	280.5	355.8	363.6h	300.0	(Begun 1928)	
2	Alcohol	177.6	135.1	158.4	161.5	172.1	175.3	82.1
12	Automobile Accessories	134.6	86.4	128.6	130.5	91.6	96.8	75.6
17	Automobiles	111.2	79.0	101.1	104.6	89.8	89.8	70.1
2	Baking (1926 Cl.—100)	76.1	51.5	55.1	54.8	69.4	100.6	53.0
2	Biscuit	197.6	169.7	185.1	197.6h	187.0	(Begun 1928)	
4	Business Machines	190.0	153.7	177.5	189.5	159.1	160.2	108.5
2	Cans	169.4	117.2	165.9	169.4H	119.9	119.9	77.3
4	Chemicals & Dyes	204.7	158.5	194.4	204.7h	166.1	168.9	132.0
2	Coal	108.0	81.0	89.4	91.0	108.0	(Begun 1928)	
12	Construction & Bldg. Material	111.7	94.4	106.9	110.4	99.5	101.3	78.9
12	Copper	199.0	159.8	184.0	192.6	177.8	179.5	105.9
2	Dairy Products	132.5	68.1	100.2	94.0	70.4	80.0	59.8
3	Department Stores	77.2	62.9	74.7	77.2h	68.0	86.0	64.5
7	Drugs & Toilet Articles	188.1	157.2	175.1	188.1H	162.0	171.2	147.3
5	Electric Apparatus	153.1	125.6	137.6	139.1	129.6	129.6	97.6
3	Fertilizers	97.5	78.4	88.9	89.6	84.0	85.7	47.8
2	Five & Ten Cent Stores	116.4	98.0	106.4	116.4h	106.8	111.5	69.6
3	Furniture	136.8	110.2	113.2	115.6	127.4	127.4	89.1
5	Household Appliances	112.7	87.5	89.4	90.9	97.0	(Begun 1928)	
2	Mail Order	265.0	147.9	231.8	265.0H	149.3	152.3	82.8
4	Marine	96.5	66.8	73.9	74.3	74.9	113.4	69.5
5	Motion Pictures	187.7	98.3	177.4	187.7H	102.9	120.3	96.8
36	Petroleum & Natural Gas	148.1	86.1	125.9	128.2	95.6	103.5	86.9
17	Public Utilities	173.0	127.9	160.6	165.3	129.5	132.5	93.1
10	Railroad Equipment	128.9	112.1	112.1 l	113.5	128.9	128.9	100.3
2	Restaurants	127.8	89.8	122.4	124.1	104.0	(Begun 1928)	
2	Shoe & Leather	231.4	138.3	216.8	219.0	138.8	152.3	69.8
2	Soft Drinks (1926 Cl.—100)	208.1	152.9	198.7	203.7	152.9	(Begun 1928)	
11	Steel & Iron	110.7	86.3	103.8	107.3	88.7	92.0	74.8
6	Sugar	93.7	73.0	75.9	77.2	89.5	112.7	76.9
2	Sulphur	386.9	277.1	286.0	300.0	381.7	381.7	166.1
2	Telephone	147.6	120.8	134.8	138.0	133.8	127.1	104.6
4	Textiles	105.9	78.6	79.8	79.3	79.0	106.5	71.9
7	Tire & Rubber	99.6	61.5	64.1	68.2	96.6	97.8	64.4
8	Tobacco	195.0	167.8	173.3	176.4	190.3	193.6	159.9
4	Traction	150.4	103.8	123.2	124.0	107.6	130.0	107.6
42	Unclassified (1927 Cl.—100)	128.8	96.2	114.2	117.8	100.0	(Begun 1928)	

H—New HIGH record since 1925.
h—New HIGH record this year. l—New LOW record this year.



(An unweighted Index of weekly closing prices specially designed for investors. The 1928 Index includes 308 issues, distributed among 38 leading industries, and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

(*Continued from page* 860)

ment and net earnings before depreciation and depletion were approximately 4 million less than in the corresponding period of 1927. However, record breaking consumption of gasoline and higher prices may result in at least a moderate betterment in results for the last half of the year. There are also indications to support the anticipation of more stabilized conditions in the oil industry. Rumors to the effect that an important merger, including the company in question, was in the offing, have been accompanied by speculative activity in the shares, resulting in market price appreciation to levels higher than at any time since 1924. Therefore, at existing quotations, the shares appear to be giving rather full recognition to prospective improvement and with the resumption of dividends likely to await evidence of sustained stability in the industry, they impress us as being primarily attractive for the longer pull.

INTERNATIONAL AGRICULTURAL

Is International Agricultural a good stock to hold? I bought some about three years ago at 20. Since then it has fluctuated rather widely. I should think a company engaged in such a fundamental business ought to be making money.—B. M. H., Albany, N. Y.

No little difficulty is experienced in making an accurate estimate of the trend of earnings for those companies affiliated with the fertilizer industry due to the indeterminate nature of the factors on which the industry depends for its prosperity. The vicissitudes which have been witnessed in the past are well known but some encouragement is offered by the efforts of important interests to correct unethical trade practices and overproduction. Moreover, the elimination of serious competition through the failure of many weaker concerns, following the disastrous 1927 season, should place the industry on a more stable basis. At this writing, International Agricultural Corporation has not reported earnings for the fiscal year ended June 30th, but in the light of the more favorable conditions which prevailed during the past season, we are of the opinion that considerable improvement will be shown. At last reports, the company was in a sound financial position, having no bank debt, and with liquid resources reported in excess of $2 millions. Regular payments are presently being made on the prior preferred shares, although accumulated back dividends total $22.75 a share. Due to the latter condition, the common shares are placed in a decidedly speculative position and resumption of dividend payments does not appear to be a near-by prospect. Common shareholders are assuming a degree of speculative risk, and substantial market price appreciation appears to be largely a long range possibility. Therefore, while present conditions preclude the necessity of urgent liquidation, we emphasize the advisability of keeping in touch with ensuing developments.

CLUETT, PEABODY

What had I better do about 25 shares of Cluett Peabody which I have held for several years,—paying, I think 66 for it. I want to put this money in a house I am building, but can defer selling the shares for another six months. Do you think the market value is likely to increase in the near future?—Y. T. U., Muskegon, Mich.

Despite a decline in net sales from 23.65 millions in 1926 to 21.2 millions in 1927, Cluett, Peabody & Co., through the introduction of new operating methods (said to have reduced by about one-half the time required to make its chief products, collars and shirts), reported earnings last year equal to $9.86 a common share against $6.51 a share in the previous year. However, due to backward spring weather, which served to adversely affect the business of many of the company's customers, coupled with keen competition and higher costs of raw materials, results in the first six months of 1928 show a balance of only $2.53 a common share contrasted with $5.17 a share in the same period of 1927. Nevertheless, financial position is comfortable, the company's competitive position has been materially strengthened through operating economies, and it has been officially stated that sales in the current six months have been running ahead of a year ago, giving rise to the possibility that net will exceed that of the last six months of 1927 when a balance of $4.69 a share was reported. The long range outlook seems more constructive than otherwise and dividends at the current annual rate of $5 a share seem reasonably safe. The shares have suffered a drastic decline from the high levels attained earlier this year and, at present prices, do not seem over-valued. We believe retention justified for income and future appreciation.

INTERNATIONAL TEL. & TEL.

My attention was called to International Tel. & Tel. when it was favorably commented upon in The Magazine of Wall Street. I have been watching it and am thinking of buying 50 shares outright as an investment to put away for income and price appreciation. Would you approve of this, in view of its acquisition of the Postal Telegraph Company?—S. H., Lackawaxen, Penna.

International Telephone & Telegraph occupies a position in the foreign telephone field somewhat analogous to that of American Telephone & Telegraph in the domestic field, subsidiaries operating in Spain, Mexico, Cuba and Porto Rico and several South American countries. Through acquisition in 1927 it now controls an extensive cable system operated by All America Cables, Inc., and more recently, has obtained control of the submarine cable and land lines comprising the Commercial Cable Co. and the Postal Telegraph system, which has the effect of vastly expanding its scope of operations and potential earning power. Further, through a subsidiary, the company has control of all foreign rights to the Bell patents, and acts as exclusive distributor of products of the Western Electric Co., the latter a subsidiary of American Tel. & Tel., in all countries, except the United States, Canada and Newfoundland. Earnings have shown

KEEP POSTED

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A SUGGESTION TO INVESTORS

This booklet explains in detail the features of Odd-lot investing. If interested, the prominent New York Stock Exchange firm issuing this booklet will be pleased to send you a complimentary copy. (278).

SCOPE AND SERVICE

This new booklet gives a descriptive and historical sketch of one of the largest public utility companies in the country now responsible for public service in more than 1,000 communities. (362).

rapid expansion since inception of the enterprise in 1920, net in 1927 gaining 155% over 1926, although, due to increased capitalization, per share profits equalled $11.07 a share last year against $12.13 a share in the previous year. Earnings in the first half of the 1928 year are estimated to equal close to $6 a share on the 1,418,445 shares now outstanding, following recent acquisitions, or sufficient to cover dividends for the full year. Financial position is impregnable. Present prices of the shares seem to fully discount the immediate future, but rather well defined prospects of further substantial expansion lends distinct attraction to the stock as a long pull holding.

TENNESSEE COP. & CHEM.

Would you recommend my sister's holding a small block of Tennessee Copper stock which she has had for some years? I tell her that she had better take the first opportunity to sell at a good price, now that the company has announced a higher dividend. But she doesn't like to switch any of her investments.—G. W. K., N. Y., N. Y.

Tennessee Copper & Chemical operates copper mines, and while benefiting to some extent by improved copper metal prices, it is a high cost producer, so that income from this source represents a minor contribution to total earnings. However, its ore bodies carry a high percentage of sulphur and are more suitable for the production of sulphuric acid. Chief consumers are fertilizer manufacturers. Due to generally demoralized conditions in the fertilizer industry, resulting in lessening demand for sulphuric acid at declining prices, earnings of the company in 1927 were equal to only 51 cents a share against $1.31 a share in 1926. Improvement in agricultural purchasing power in the current year has been reflected in increased earnings of the company, and while definite figures are not available present estimates place profits for the full year at a figure to equal $1.50 a share, in anticipation of which and by virtue of a strong financial position dividends were recently increased to $1 a share annually. However, whether the recent encouraging improvement in the fertilizer industry will be permanently maintained is a matter of conjecture. On the basis of the company's record to date and visible prospects the shares seem to be selling about in line with their actual worth and we see no particular incentive to retain.

AUSTIN NICHOLS

What is the trouble with Austin Nichols? I can't see why a company so well established in the wholesale grocery business shouldn't prosper. The 80 shares I hold average $9½ a share. Have you any advice?—A. R. S., Port Jervis, N. Y.

Reflecting the serious inroads of chain grocery stores, together with an ill-timed expansion of activities in the canning industry, Austin, Nichols & Co. has suffered large operating losses in recent years results in the fiscal year ended April 30, 1928, showing a deficit of $1,283,333, before provision for preferred dividends, and a loss of $1,853,595 in the fifteen months ended April 30, 1927. However, the

company has recently disposed of its unprofitable units, the proceeds being used to strengthen financial position, has effected a wide scaling down of inventories, and will henceforth concentrate operations in the wholesale grocery field, wherein it occupies a dominant position. The enterprise has by no means reached an entire solution of difficulties, and pending definite indications of its ability to redevelop something resembling substantial and lasting earning power, the common stock can only be considered in the light of a pure speculation. However, if you are willing to assume the risk involved, we believe retention has something to recommend it.

POSITION AND OUTLOOK FOR THE LEADING CIGARETTE MANUFACTURING COMPANIES

(*Continued from page* 848)

stock dividends, split-ups and increases may be anticipated from time to time. The sharp declines in the price of these stocks have placed them on a more attractive buying basis than for some time.

In the case of P. Lorillard Co. the outlook is less well defined. The company has reported a large increase in sales of "Old Gold" cigarettes, the volume in the first five months being equal to all of 1927. This is logical in view of its extensive advertising campaign, but the volume is considerably below that of any of the three older companies in the field. Moreover, it is probable that the company is less able to meet the competition on the lower price basis than the other three companies, as these companies have been engaged for many years in the manufacture of blended cigarettes and have the edge on Lorillard in the matter of manufacturing costs. The older companies have attained an efficiency of operations which a newcomer in the field could not reach in the short time in which Lorillard has engaged in low priced cigarette manufacturing. Moreover, the older companies have the advantage of production on a tremendous scale with attendant low costs. The purchase of P. Lorillard Co. stock, then, would be made only on the prospect of the final success of their "Old Gold" marketing program, and at present this is veiled by some uncertainty. However, the stock is quite low now and the risk involved in purchase is consequently reduced.

Should the old price level on cigarettes be restored, as there is now some talk in the industry of doing, the outlook for the companies would be greatly improved, and profits would undoubtedly show a sharp rise from those made previously, particularly in view of the fact that the companies have been adjusting themselves to the lower price level. The "Big Three" Group would benefit greatly, but for P. Lorillard Co. such a move would have an especially salutary effect.

New York Curb Market

IMPORTANT ISSUES

Quotations as of August 29

Name and Dividend	1928 Price Range High	1928 Price Range Low	Recent Price
Albert Pick Barth wi.†	12⅛	9	10
Aluminum Co. of Amer.	197¾	120	140
Aluminum pfd. (6)	110¼	105½	108
Amer. Cigar (8)	162½	132	140
Amer. Cyanamid "B" (1.60)	53⅛	30⅜	37⅛
Amer. Cyanamid pfd. (6)	103	95	102⅛
Amer. Gas Elec. (1)‡	184	117½	174¾
American Rayon Products	24	13	16⅛
Amer. Super Power A (1.2)†	56	33⅜	43⅞
Assoc. Gas Elec. "A" (2¼)	56¾	47	50
Celotex Co. (3)	69¾	49	67⅞
Centrif. Pipe (0.60)*	12⅛	8¼	9⅛
Cities Service New (1.2)†	71¼	54	66⅛
Cities Service Pfd. (6)†	103⅛	94⅛	99⅞
Cons. Gas & Balt. (3)	92⅞	67½	81⅛
Consolidated Laundries (2)*	20¼	14	16⅛
Durant Motors†	16	9⅛	12
Elec. Bond Share (1)†	127½	76	113⅛
Elect. Investors† (3.50 stk.)	79⅞	40⅛	66¾
Fajardo Sugar (10)	165⅛	140⅛	140⅛
Ford Motor of Canada (15)	698	510	575
General Baking (new)*	17	6⅛	10
General Baking Pfd. (new)*	86	73⅝	75
Glen Alden Coal (10)†	169	148½	153⅛
Gulf Oil (1.5)†	148⅛	101½	121
Happiness Candy Stores (50)	9⅜	5½	6⅛
Hecla Mining (0.60)	18	13	15
Hygrade Food Products	45⅛	25⅛	40
International Utilities B	19⅛	6¾	15
Land Co. of Florida†	25	12	12
Lion Oil Refining (2.25)*	32⅜	20	27⅛
Lone Star Gas (2)	57	48⅛	54
Metro Chain Store‡	66	54	60⅛
Mountain Producers (2.60)†	28⅞	22⅜	22¾
National Fuel Gas (1)	30⅛	24¾	27⅞
New Mex. & Arizona Land†	11⅜	7⅛	10⅛
New Jersey Zinc (12)	260	180¼	214
Nipissing Mining (80c)*	5⅞	3	3⅛
Northern Ohio Power†	32	18	32
Phelps Dodge (6)	148	117	142
Puget Sound P. & L.†	94⅞	34⅝	86
Salt Creek Producers (3)†	35	27	27
So'east Pwr. & Lt. (1)	61	40⅝	49⅛
So'east Pwr. & Lt. Pfd. (4)	92	84	87⅞
Stutz Motors*	19	14⅛	15⅞
Tobacco Products Export†	4⅝	3	3¼
Transcontinental Air Trans.	35⅛	20½	26¼
Trans Lux	7	2¼	3
Tubize Artif. Silk† (10)	630	450	512
Tung-Sol "A" (1.80)	24⅜	19⅝	20⅜
United Electric Coal (3)	65⅞	26¼	62½
United Gas & Improvem't (4)	150	111¼	140⅛
U. S. Gypsum (1.60)	100	55⅛	55⅝

STANDARD OIL STOCKS

Name and Dividend	1928 Price Range High	1928 Price Range Low	Recent Price
Continental Oil	23	16	17⅞
Humble Oil (1.6)†	84⅞	59¼	79
International Pet. (.75)	51¼	35	37⅞
Ohio Oil (2.75)	68¼	58½	61⅜
Prairie Oil & Gas†	56	47	46¼
Standard Oil of Ind. (3.5)†	83⅝	70⅞	75⅛
Vacuum Oil (3)†	87⅞	72	81⅞

* Listed in the regular way.
† Admitted to unlisted trading privileges.
‡ Application made for full listing.

PRICE changes on the New York Curb Market during the past two weeks reflected the buoyancy which marked the upward trend on the New York Stock Exchange. Although call money was again highly erratic, reaching 8% as a result of continued heavy calling of loans, traders were apparently unconcerned. The volume of transactions was the largest in some time and any favorable developments of a monetary nature are likely to witness expanding public participation on the same scale as that during the bull session of the spring months. It is notable, too, that whenever the market shows a tendency to go downward activity dries up, evincing little liquidation of stocks.

The shares of public utility companies were singled out for the rise and this group gave a very impressive account of itself as buying broadened. Accumulation has been going for some time, with the result that the floating supply of many issues is considerably reduced, and stocks move forward quite easily when even a small demand is felt. Among these stocks, *American Gas & Electric* and *Electric Bond & Share* were the features, the former advancing 10 points to 177 and then selling off several points to around 175 where it closed, while the latter engaged in one of its violent upheavals, soaring 20 points to 116 closing around 114. *United Gas Improvement* was also a favorite running up about 8 points. *Northern Ohio Power* duplicated its high for the year and closed at that figure.

Industrial stocks were also heavily bought, several attaining new high records. *Ford Motor of Canada* in reponse to the generally better condition of the company as regards production jumped about 40 points but later lost part of this gain. *Tubize Artificial Silk* was another stock around which buying centered, going above 510 for a rise of 30 points. *United Electric Coal* made a new high for the year within a fraction of 66 as compared with the previous record of around 57. Good buying was witnessed in *Transcontinental Air Transport, and American Cyanamid "B."* Several stocks, on the other hand, made new lows, among them *Land Company of Florida, Glen Alden Coal* and *Fajardo Sugar.*

The oil group throughout the fortnight was extremely quiet, although several of the Standard Oil stocks advanced slightly. Despite the fact that a substantial improvement has been witnessed in the industry no real exploitation of oil company shares has taken place. It is logical, however, to expect some strength here if the market continues its present trend.

TWO SUPPLY COMPANIES COMPARED

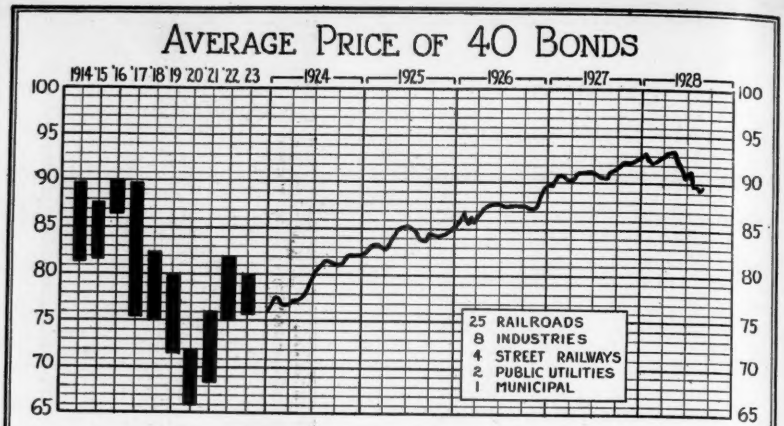
(*Continued from page 843*)

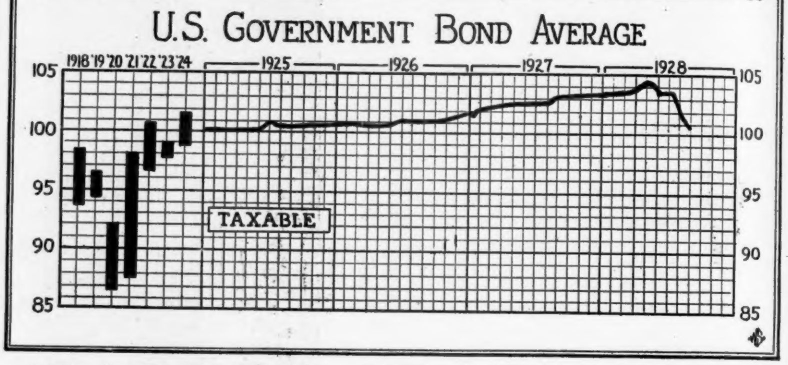
secure. Unlike the senior issue of National Supply, Oil Well Supply preferred is convertible into common stock at a price of $38.93 on the common for the first 20,000 shares presented, $43.24 for the second 20,000 shares, and $47.56 for the remainder. This feature, although of no immediate interest, might well assume much importance in the event of a revival in earning power.

Conclusion

Oil Well Supply had a long and favorable dividend record prior to the recapitalization which occurred in 1925 in connection with a public offering of the stock. In addition to adverse influences already enumerated over which no control is possible, its present instability is no doubt due in part to the fact that the company is undergoing a partial transition in its affairs arising from a change in management and readjusted affiliations. Substantial blocks of stock have been acquired by interests identified with A. M. Byers Co., manufacturers of wrought iron pipe, and more recently by Spang, Chalfant & Co., Inc., makers of welded and seamless steel tubing. Numerous distributing branches in oil and gas territory are maintained by both National Supply and Oil Well Supply, where, in addition to their own respective products, various supplies manufactured by others are available, and Oil Well Supply is now distributing the output of these newly affiliated concerns instead of competitive products formerly handled. Such readjustments coming at a time when volume of business was on the down grade may have contributed their share towards the poor operating results achieved in the last year or so.

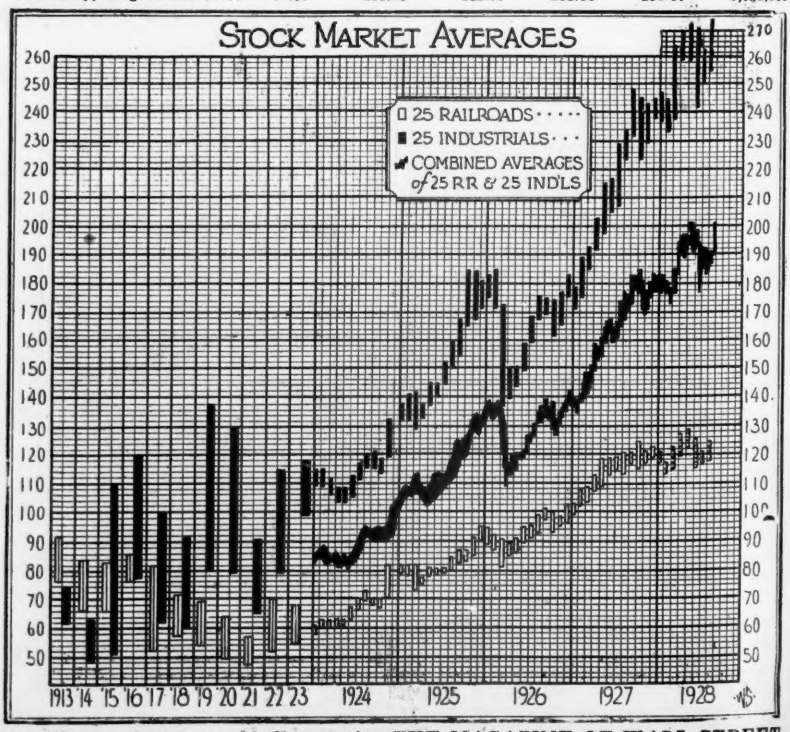
The difficulty of maintaining artificial restriction on drilling should work out to the advantage of the oil supply companies in time, and fundamentally it is a situation which from their standpoint should become gradually better rather than otherwise. In appraising the market effects of any material improvement, National Supply common, selling around 95 and paying $4 with potential extras, must be regarded as possessing considerable investment merit in spite of wide fluctuations in earnings, while Oil Well Supply common makes its appeal from a more speculative angle. In the same way, Oil Well Supply Convertible preferred, yielding 7% at par, has an element of uncertainty for the time being, while National Supply preferred, selling around 115 to yield over 6%, and held in that vicinity through its redemption provision, ranks as a sound industrial investment for income only.





MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, August 16	89.45	221.34	138.18	191.86	189.48	2,877,340
Friday, August 17	89.64	222.41	138.40	192.99	190.82	2,973,090
Saturday, August 18	89.73	223.61	139.80	192.94	191.06	992,790
Monday, August 20	89.70	225.77	139.85	193.80	192.07	2,437,496
Tuesday, August 21	89.78	228.79	141.38	195.46	192.77	3,064,730
Wednesday, August 22	89.94	229.71	141.01	196.11	194.24	3,175,570
Thursday, August 23	89.92	229.24	141.21	196.18	194.00	2,965,260
Friday, August 24	89.96	233.68	141.70	193.16	195.54	3,838,110
Saturday, August 25	89.99	234.98	142.00	198.82	197.03	1,916,940
Monday, August 27	89.97	234.83	141.63	199.52	196.95	3,533,070
Tuesday, August 28	89.99	236.55	142.21	199.50	197.07	3,246,390
Wednesday, August 29	89.99	238.28	142.70	201.06	196.67	3,721,000



Important Corporation Meetings

Company	Specification	Date of Meeting
American Cyanamid	Annual	9-8
Canadian Pacific Ry	Directors	9-10
First National Pictures, Inc	Directors	9-10
International Nickel	Com. Div.	9-10
Paramount Famous-Lasky	Directors	9-10
Vanadium Corp. of Amer	Annual	9-10
American Brake Shoe & Fdy.	Pfd. & Com. Divs.	9-11
American Metal Products	Directors	9-11
Best & Company	Directors	9-11
McCall Corp.	Com. Div.	9-11
National Biscuit	Directors	9-11
N. Y., N. H. & Harftord R. R.	Directors	9-11
United Fruit Company	Directors	9-11
Western Elec. Co	Com. Div.	9-11
Western Union Telegraph Co	Dividend	9-11
Willys-Overland	Pfd. Div.	9-11
American Linseed	Directors	9-12
American Sugar Refining	Directors	9-12
Eastman Kodak	Directors	9-12
Gillette Safety Razor	Directors	9-12
Interborough Rapid Transit	Annual	9-12
New York Central R. R	Dividend	9-12
Woolworth (F. W.) & Co	Directors	9-12
American Agricultural Chemical	Annual	9-13
American International Corp	Directors	9-13
California Packing	Directors	9-13
Hudson & Manhattan R. R	Directors	9-13
International Tel. & Tel. Corp	Dividend	9-13
Underwood-Elliott-Fisher	Directors	9-13
Bayuk Cigars, Inc.	Directors	9-14
Simms Petroleum	Directors	9-14
Westinghouse Air Brake	Dividend	9-14
Barnet Leather Co., Inc	Pfd. Dividend	9-17
Brooklyn-Man. Transit Corp	Com. Div.	9-17
Canada Dry Ginger Ale, Inc	Dividend	9-17
Crucible Steel of America	Com. Dividend	9-17
Goodyear Tire & Rubber	Directors	9-17
Gotham Silk Hosiery	Pfd. Dividend	9-17
Missouri, Kans. & Texas R. R	Directors	9-17
Chesapeake & Ohio Ry	Directors	9-18
Empire Gas & Fuel Co	Pfd. Div.	9-18
National Cash Register	Directors	9-18
New England Tel. & Tel	Directors	9-18
Remington-Rand, Inc.	Directors	9-18
Sheffield Steel Corp	Pfd. & Com. Divs.	9-18
Standard Oil of Nebraska	Directors	9-18
Youngstown Steel & Tube	Directors	9-18
Alpha Portland Cement	Directors	9-19
American Tel. & Tel. Co	Directors	9-19
Carolina-Georgia Service	Pfd. Div.	9-19
Cities Service Co	Directors	9-19
Cuban-American Sugar	Directors	9-19
Dodge Brothers, Inc	Pfd. Div.	9-19
Granby Consol. Mining, Smelt. & Pr., Ltd.	Directors	9-19
Kelsey-Hayes Wheel Corp.	Pfd. Div.	9-19
Metropolitan Ice	Pfd. Dividend	9-19
Northern Pacific Ry	Directors	9-19
Otis Elevator	Pfd. & Com. Div.	9-19
Republic Iron & Steel	Directors	9-19
Thatcher Manufacturing	Directors	9-19
Vanadium Corp. of America	Directors	9-19
Adams Express	Directors	9-20
Atlantic Coast Line R. R	Directors	9-20
Central Alloy Steel Corp	Directors	9-20
Central R. R. of New Jersev	Directors	9-20
Cities Service Power & Light	Directors	9-20
Houston Oil of Texas	Directors	9-20
Hudson Motor Car	Dividend	9-20
International Harvester	Directors	9-20
Louisville & Nashville R. R	Directors	9-20
Magma Copper	Dividend	9-20
New York Steam Corp	Annual	9-20
Texas Gulf Sulphur	Directors	9-20
United Gas & Elec. Corp	Directors	9-20
Central R. R. of New Jersey	Annual	9-21
Cudahv Packing	Pfd. & Com. Div.	9-21
Gulf, Mobile & Northern R. R	Directors	9-21
Radio Corp. of America	Directors	9-21

BUCYRUS-ERIE

(*Continued from page* 842)

requirements on the issue which now returns a yield of well over 5% and may be converted into the common at any time at the option of the holder. Sometime during the next few years a higher dividend may be paid on the common than on the preferred, making it profitable for holders to convert. *The preference stock therefore, is a peculiarly attractive semi-speculative investment.*

Statistical Record of Business

	Week Ended Aug. 26, '28	Week Ended Sept. 1, '28	Year Ago
Volume Stock Exchange Transactions (shares)	17,325,210	19,245,390	10,067,161
Average Price Magazine of Wall Street Index..........	133.4	137.2	109.4
Volume Bond Transactions....	$41,221,350	$39,902,100	$50,073,775
Average Price 40 Bonds	89.99-89.70	90.21-89.96	91.71-91.53
Brokers' Loans (Federal Reserve)	†$4,201,131,000	‡$4,235,148,000	$3,184,058,000
Comm'l Loans Federal Reserve Member Banks	$9,049,135,000	$9,043,368,000	$8,169,176,000
Federal Reserve Ratio	69.6	69.5	78.3
Gold Holdings	$2,761,402,000	$2,764,894,000	$3,145,736,000
Rediscount Rate, N. Y.	5%	5%	3½%
Debits to Individual Accounts.	†$13,555,449,000	‡$13,471,880,000	$12,128,575,000
Call Money	7%	7½%	3½%
Time Money (90 days)	6½%	6½%	4¼%
Commercial Paper	5¼%	5½%	3¾-4%
Acceptances (90 days)	4¾-⅝%	4¾-⅝%	3¼-3⅛%
Dun's Business Failures	377	389	344
Weekly Food Index (Bradst's).	$3.41 (July 1)	$3.44 (Aug. 1)	$3.20 (July 1)
Wholesale Prices (Bradst's)..	$13.14	$13.19	$12.58

Industrial Barometers

	June	July	Year Ago
U. S. Steel Unfilled Tonnage..	3,637,009	3,570,927	3,142,014
Steel Ingot Production	3,742,964	3,811,573	3,204,135
Pig Iron Production	3,082,000	3,071,824	2,951,160
Pig Iron Furnaces in Blast ..	189	185	190
Automobile Production	396,967	394,445	268,485
Building Permits (Bradstreet's)	$319,051,880	....	$311,564,133
Petroleum Production (bbls.).	72,526,000	**74,157,000	78,333,000
Bituminous Coal Production (net tons)	35,963,000	36,276,000	33,637,000
*Copper Production (short tons)	72,954	73,426	65,545
Cotton Consumption (bales)...	510,565	438,743	569,675
Spindles active	28,624,188	28,228,024	32,324,426
Wool Consumption (lbs.).....	41,282,089	38,099,091	39,832,923
Railroad Earnings	$88,997,366	....	$87,953,246
% on Railroad Property invested	4.17	....	4.36
Car loadings	4,923,304	3,942,931	3,913,761

Foreign Trade

	June	July	Year Ago
Merchandise Exports	$390,000,000	$382,000,000	$343,000,000
Merchandise Imports	$317,000,000	$316,000,000	$327,000,000
Gold Exports	$99,932,000	$74,190,000	$1,803,000
Gold Imports	$20,001,000	$11,531,000	$10,373,000

Distributive Trades

	June	July	Year Ago
Mail Order Sales	$44,848,365	$40,252,896	$32,967,025
Chain Store Sales	$117,077,581	$101,457,570	$88,493,680
Dept. Store Sales (index number 1923-5—100%)	103	78	75

* U. S. Mines. † Aug. 22. ‡ Aug. 29. ** Subject to revision.

TRADE TENDENCIES

(Continued from page 849)

prices. That this is the logical time for such action is evidenced by the fact that price advances have been posted in cold rolled sheets and strip bars for fourth quarter requirements, and while no test has been forthcoming as yet, there is every indication that the increases will hold.

An encouraging feature of developments in steel has been the pronounced strength and activity in pig iron. Until recently, despite the improvement in finished steel, the dormant state into which pig iron markets had fallen occasioned no small wonder and this was accentuated by the fact that prices were at the lowest levels in a number of years. Now, however, demand has shown considerable expansion, prices are stronger and the general outlook is decidedly improved. Currently better conditions are attributed to the low stocks in hands of consumers who, finding themselves in a precarious position as regards iron requirements, have begun accumulating supplies to insure themselves in case of an emergency. Then again a sharp advance in scrap has reacted favorably on pig iron markets; and in view of the scarcity of scrap even at higher levels, it is more than likely that pig iron will follow a similar trend.

PETROLEUM

Outlook More Favorable

After nearly two years of depression, which started in the summer months of 1926 as a result of overproduction in the Seminole area and other prolific districts throughout the country, the oil industry appears to be on the road to recovery. The possibilities of heavy output which would delay further improvement, however, are by no means vague, since new pools have been discovered recently that would furnish strong support to such a movement. But, on the other hand, the restrictive policy of producers responsible for better conditions will undoubtedly be continued until supplies are down to a level more in keeping with demand. If and when this is accomplished, the industry will be able to reap greater benefits than at present of heavy gasoline consumption occasioned by increased use of the automobile.

Some evidence of this is to be found in earnings statements for the first six months of the year, a number of which show striking gains over the same period in 1927. This is chiefly noticeable among the reports issued by refiners and marketers; although some improvement has been recorded, crude oil companies are progressing at a slower pace.

Crude oil production has been aver-

aging about 2,400,000 barrels daily compared with 2,600,000 barrels in 1927. Refinery outputs have been more closely aligned with actual requirements, thus obviating the likelihood of any heavy increase in gasoline supplies and aiding a material reduction in the amount already in storage. As a result, gasoline prices, stimulated also by unprecedented rate of consumption both here and abroad, have had a steady advance in the past several months. Refiners, therefore, have been able to take advantage of prevailing low levels for crude and this should be reflected in a greatly strengthened financial position by the end of the year. Crude prices, however, have been showing an upward tendency lately, although this is centering mainly on high gravity crudes which have large gasoline content.

PAPER

Conditions Unsatisfactory

Another instance of what damage can be wrought by overproduction even in an industry whose product has shown steady expansion of demand is to be found in the newsprint trade. Although the volume of business has been of record proportions so far this year, manufacturers will probably show the poorest results in a number of years.

Mill capacity in comparison with 1927 is somewhat reduced but output is still running at an excessive rate despite heavy consumption. As a result, there has been a rather severe weakening of the price structure and profit margins have been considerably narrowed. Past experience has shown that manufacturers have been really favorably situated only if operations are around 100%. Consequently the twofold dilemma of declining mill activity and lower prices presents a problem which it appears will take some time to solve, although plans are now being formulated to provide necessary relief.

Canadian mills have been the direct cause of the depression, since their output in the first seven months of the year has shown an increase of over 15% in comparison with the same period of 1927, while output in the United States, on the other hand, has declined about 7%. Newsprint consumption has been running well ahead of last year during the seven months; production, however, continued in excess of requirements, with the result that there has been a sharp gain in surplus mill stocks.

Although in Ontario and Quebec government supervision of output is expected to work some improvement, the overcapacity of the industry will prevent any marked improvement for several years. It is believed that consumption will not parallel output before 1930 and until this happens prices will in all probability show relatively small advances.

ST. LAWRENCE WATERWAY DEVELOPMENT OF MOMENTOUS CONSEQUENCE

(*Continued from page* 822)

ment has submitted a plan of international cooperation, which the United States has accepted as a basis for final negotiations. Saliently, this plan is that the United States shall bear the entire cost of navigation and power development on the international section of the St. Lawrence and all further navigation development in the Great Lakes. It is to get only half the power developed in the international section of the river, and all works erected by it on the Canadian side are to belong to Canada. Moreover, the work of developing power in the international section is not to be started until after Canada has completed power development on the Canadian section. At the moment, however, negotiations are not progressing because the Canadian government desires further time in which to deal with the relations between Ontario, Quebec and the federal government involved in the matter of power development, and also further engineering conferences.

In general, it appears that Quebec will withdraw its opposition to the general plan in consideration of the reservation of all the works within Canada to Canadian ownership and control and the prohibition of the exportation of any power from the Canadian section. The Quebec idea is for the Canadian section to be built by private companies, under provincial authority; but Ontario leans more to the idea of federal construction, and counts, anyway, on having the Canadian half of the international section power turned over to it by the Dominion government, for public operation. Legislation already enacted in Quebec looks to the development of the power by a new private company which will be in opposition to the present Holt-Shawinigan power group monopoly. This Beauharnois company includes the heads of Newman & Swaezy, Montreal, and the Dominion Securities Corporation, Toronto, and a private syndicate. Doubtless the Canadian and American publics will receive opportunities to participate after the promoters have sufficiently guarded their own interests.

On the American side it is assumed that the Federal government will itself build the international section works, but what it will do with its half of them and its half of the power will, no doubt, result in a merry controversy in Congress, similar to that over Muscle Shoals.

Opposition in Congress to the principle of development of the St. Lawrence and the indentation of the Atlantic coast to the head of Lake Superior is seemingly confined to the New York delegations. There is little doubt that the Senate will ratify, and Congress

appropriate the necessary funds for, any agreement the executive may reach with Canada unless it is patently too much in Canada's favor. Should international agreement fail, Canada might do the whole job herself on the Canadian side of the river where it is international, but there could be no power development there without international dams. For that reason she is not likely to undertake a navigation work at her sole cost. Moreover, the United States has the perpetual treaty right to use freely the river and any canal the Canadians might build. And the Canadians are not likely to present Uncle Sam with a benefit which he can be induced to pay for. If international cooperation should fail to open the Great Lakes to the sea, the alternative of the canal from Lake Ontario to the Hudson would be brought to the front, despite its vastly greater cost to the United States, its inferiority as a navigation route and its lack of incidental power development.

The State of New York, through its legislature and its present and preceding governor, is on record in favor of the Hudson River route to the sea from the Great Lakes. This route would have the possible advantage of being wholly within American territory; but to be consistently American it would still be necessary to construct a canal around Niagara on the American side. Even then the ship channel sometimes wanders to the Canadian side between Lake Erie and Lake Huron. At the request of the Committee on Rivers and Harbors of the House of Representatives, the chief of engineers of the army caused a study to be made of the proposed Hudson River route from Lake Ontario. The conclusion was reached that such a canal for vessels of 25-foot draft would cost $506,000,000 and that a canal connecting Lakes Erie and Ontario would cost $125,000,000 more. No power would be developed, whereas the St. Lawrence route power would eventually pay for the capital and maintenance of both power and navigation development. The engineers found also that the Hudson River route would be 600 miles longer from the Great Lakes to Europe, and owing to slow navigation through a long inland canal, spanned by many bridges, would take about three days more time. The Hudson River route has been presented in a more favorable light by other studies, and it is on them that Governor Smith rests his present favor for the New York state route.

On the Canadian side of the line, the once formidable movement for the canalization of the Ottawa River and its connection with Lake Huron seems to have passed away. And there seems to be little Canadian interest in the improvement of the St. Lawrence for navigation alone. The Canadians want both; 4,000,000 hydro-electric horsepower is expected to bring a great industrial boom to Ontario and Quebec. Such an addition of power would mean $2,500,000,000 of new investments in manufacturing plants and the employ-

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ment of four to seven millions additional workers.

In some quarters confidence is expressed that the Hudson Bay route will solve the Canadian west's wheat export problem. The government railway will reach Port Churchill soon, but the feasibility of this sub-arctic route as a commercial outlet remains to be seen.

While there is some opposition by the eastern railroads to the St. Lawrence waterway development, most of it comes from New York City and Buffalo, which fear any change in commercial routes that tends to divert traffic and trade from their ports. No doubt, the great bulk of mid-continent export and import bulk cargo trade would be diverted from New York to the St. Lawrence, and that city would lose much stevedoring business. On the other hand, the port of New York is already crowded and the roads leading to it subject to congestion. The railroads would not miss the loss of traffic in the ordinary growth of their business and it is doubtful whether New York would notice the loss of some stevedoring, ship chandlering, port dues and various other charges in the rapid general growth of the city's business.

Probable Outcome of the Waterway Improvements

Some offset for such losses would be found in the fact that New York shipping would have the 4,000 miles of Great Lakes coastline added to its territory. So much has been said about the foreign trade side of the development of the St. Lawrence waterway that little has been said about the great extension of coasting trade that will result. The Atlantic coast cities will have cheap water transport for their raw materials from the interior of the continent. The railroads, relieved of much slow and bulky traffic, will have opportunity to improve and enlarge their traffic in manufactured goods. Any local losses that New York might suffer including the offense to her pride of seeing so much marine activity diverted to the St. Lawrence would be more than made up by her domestic commerce. Fewer foreign flags in New York harbor would be a small price to pay for a back country rendered prosperous by reductions of transportation rates. Losing its transfer business, Buffalo would suffer. The total traffic available for the St. Lawrence waterway is only 4% of the present tonnage of the American railways which now connect the lakes with seaboard, and it comprises less than 12% of the sea shipments now moving through the affected American ports. The St. Lawrence is only another facility, and a much needed one, for American commerce, always threatened by the menace of transport inadequacy. It will take ten years to complete the new deep water route. Traffic is likely to increase so much in that time that New York as well as her tributary railways may welcome its help.

NORTHERN PACIFIC RAILROAD

(Continued from page 835)

economies to meet every test imposed upon it in recent years. Although gross revenues were reduced from 102 to 95.5 million dollars during 1923-27, net railway operating income increased from 17.1 to 22.59 millions during the period. Transportation expenses declined 6.6 million dollars and although maintenance charges also decreased, the property is in excellent physical condition. Part of the reduction in maintenance is due to lower prices for materials and decreased wages. The latter item nevertheless reflects a substantial increase since 1916. In that year the company's payrolls totaled 28.2 millions and in 1927 wages amounted to 44.9 millions, an increase of over 57%. It is of further interest to observe that payrolls constituted 35.1% of gross revenues in 1916, whereas in 1917 they absorbed 47%.

Equipment rentals reflect a credit balance, indicating that the company has ample car capacity. In 1927 this item was $1,728,209. Non-operating income is an important item and since 1923 has exceeded eleven million dollars annually. The largest part of non-operating income is derived from the company's holdings of the Chicago, Burlington & Quincy Railroad stock. It holds 829,337 shares of the latter and in 1927 received $8,293,370 from this source. Interest on the funded debt amounted to 14.7 million annually since 1923. There is very little change in this item. Net income in 1927 was 18.54 million dollars as against 21 millions in 1926. The latter showing was the most satisfactory since 1923 and the decrease in 1927 is largely due to lower gross revenues and the reduction of $558,412 in non-operating income. Dividends amounting to $12,400,000 have been paid annually isnce 1922. During the period 1923-1927, 24.42 million dollars was reinvested in the property out of earnings.

The reduction in the operating ratio from 78.79% in 1923 to 71% in 1927 was largely absorbed by transportation expenses. The decline of 4.92% of the latter item absorbed more than half of the reduction of 7.79% in the operating ratio. Greater train loads and more rapid movement of trains explain the lower transportation costs. The operating results attained in recent years compare most favorably with other large railroad systems in the Northwestern region. Its average gross train load exceeded that of any system of equal magnitude with the exception of Great Northern, which operates under more highly favorable conditions. Its showing in many respects is far above the average for the Northwestern region in which it is grouped.

Comparative balance sheets for the fiscal periods ending December 31, 1916 and 1927, explain why the company has been able to make so satisfactory

a showing in the face of such fundamental difficulties. During the foregoing interval, road and equipment increased from 489.4 to 591.8 million dollars, an increase of 102.4 millions. Yet capital liabilities increased $5,052,435 during this period. The increase was in funded debt, the amount of stock remaining unchanged. A small portion of the improvements may have been financed out of current assets, which decreased approximately $4,000,000. The largest part of the increase was derived from surplus earnings. During the period under consideration, corporate surplus increased 94.3 million dollars. The proceeds derived from the sale of some of the company's lands may also have been applied towards capital expenditures. Undoubtedly, this method of financing without resorting to the sale of securities with the resultant increase in fixed charges enabled the company to maintain dividends on its stock during so trying a period. The foregoing reason moreover warrants belief that Northern Pacific will fare better in the future. The property is well developed and can handle a large volume of traffic with very little further increase in capital expenditures. Its equipment is ample and in fine condition. There was an increase in tractive power per locomotive and capacity per freight car of 12.8% and 4.6% respectively, since the beginning of 1923. Many bridges were strengthened, grades revised, and last year the company inaugurated a policy of laying 130 pound rails on the main line. Fuel and water stations have been enlarged at various points and the installation of block signals and automatic train control has been proceeding steadily.

Investment Holdings

Another element of strength reflected on the balance sheet is the company's valuable investment holdings. The most important of these are the Chicago, Burlington & Quincy Railroad Company shares. As of December 31, 1927, this item, having a par value of $82,933,700 was carried on the books at the original cost of $109,114,808. The foregoing are pledged under the company's Refunding & Improvement Mortgage. At current levels of approximately $230 per share, these holdings are currently appraised around 192 million dollars marketwise, or 83 millions in excess of their ledger value. A value considerably in excess of that reported by the company could therefore be easily sustained instead of the stated value of its investment holdings, which were carried at $180,053,431. Financially, Northern Pacific is also in an enviable position. Current assets as of last December 31st amounted to 35.81 million dollars and current liabilities were 17.34 millions. Included in the current assets were more than 18 million dollars in cash and special deposits, and listed in the item "Other Investments," were $1,372,650 of United States Government securities.

Another factor which sustained

San Francisco Stock and Bond Exchange

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Bank and Public Utility Stocks

	Div. Rate	1928 High	1928 Low	Last Sale Aug. 30
Anglo & London Paris Nat. Bank	$10.00	295	225	250
Bancitaly Corporation	2.24	220¼	100	136
Bank of Italy	5.24	311½	125	214
East Bay Water A, Pfd.	6.00	99	86	91½
Great Western Power Pfd.	7.00	106⅞	103½	105¼
Los Angeles Gas Pfd.	6.00	112¼	105¼	106½
Pacific Telephone & Tel. Pfd.	6.00	125½	113½	119¾
Pacific Gas & Elec.	2.00	53¼	43⅞	50

Industrials and Miscellaneous

	Div. Rate	1928 High	1928 Low	Last Sale Aug. 30
Alaska Packers' Assn.	8.00	160	160	160
California Packing	4.00	79¼	69⅛	75¼
California Petroleum	1.00	31¾	23⅝	31½
Caterpillar Tractor	1.40	84	53	81½
Firemen's Fund Insurance	5.00	127	110	114¾
Foster & Kleiser (cm)	1.00	19	12	13
Hale Brothers	2.00	31	25	25¼
Hawaiian Coml. Sugar	3.00	56	46	51
Hawaiian Pineapple	1.80	54½	41	54
Home Fire & Marine	1.60	49¼	37½	38
Honolulu Cons. Oil	2.00	43	35	39
Hunt Brothers Packing "A"	2.00	28¼	22	22⅛
Illinois Pacific Glass "A"	2.00	62	42	51⅛
North American Oil	3.60	43	36	40
Paraffine Common	3.00	109½	79	87½
Richfield Cons. Oil	1.00	52	23¼	46¾
Schlesinger A Common	1.50	27¼	20	21¾
Shell Union Oil	1.40	29¾	24	26⅝
Southern Pacific	6.00	128⅛	118¼	124
Sperry Flour Common	...	85	60⅛	73
Spring Valley Water	6.00	120	91	94
Standard Oil of Calif.	2.50	62⅞	53	58¼
Union Oil Associates	1.99	57½	41½	50¾
Union Oil of California	2.00	57¼	42½	50
Yellow & Checker Cab "A"	4.00	58¾	51	53
Zellerbach Corporation dep. cts.	2.00	49⅞	34	44

Northern Pacific throughout this period of difficulty was its conservative capitalization. While the proportion of bonds exceeds that of capital stock, the latter together with corporate surplus is considerably in excess of funded debt. Total bonds outstanding, including $6,766,000 of equipment obligations, totaled $318,232,000 at the close of 1927. This item comprised 56% of the capitalization and was outstanding at the rate of $47,000 per mile. Interest was at the average annual rate of 4.5%. Northern Pacific is comfortably fixed with respect to maturing obligations. Barring the equipment trusts and a few assumed obligations, the total of which does not exceed 8 million dollars, the company has no financing problems for many years to come. The nearest long term maturity of consequence is in 1997.

Stock which was outstanding in amount of 248 million dollars at the close of the last fiscal year comprised 44% of the capitalization. *There is but one class and dividends have been paid without interruption since* 1899. Between 1903-22, the rate was 7% annually. It was reduced in 1922 to $5.00 per share annually, due to decreased earnings. The latter rate has been earned by a fair margin since 1923. Average earnings per share during the period 1923-1927 were $6.36 per share. The trend of per share earnings has been upward since 1923 when $5.23 was reported. Substantial equities underlie the common stock which has a book value of $178.00 per share. Earnings are running at a rate that for the first six months of the current year promises to exceed those reported for the corresponding period of 1927 and possibly those reported in 1926, which were equal to $8.47 per share. The latter were the highest in the last five years. This is supported by the fact that both gross revenues and net operating income are in excess of the first six months of 1926. This is in the face of large expenditures for main-

tenance which ordinarily would have been deferred until the fall months of the year.

Several factors would seem to indicate that Northern Pacific has weathered its greatest difficulties and a period of improvement lies before it. At no time since the post war period of the deflation has the future appeared so promising. In the first place, purchasing power of farmers in terms of non-agricultural products has been gradually upward since 1921. The Department of Agriculture index of purchasing power of farm products in terms of non-agricultural commodities has been at the highest level in the last six months of any period of similar length since 1920. This should find reflection in an increased volume of manufactured products destined for the territory served by Northern Pacific. Furthermore, with the gradual elimination of this disparity in prices, the development of the territory should proceed more rapidly. There is also a fair possibility that the Interstate Commerce Commission will revise the rates so that it will be possible for the road to compete more successfully for long haul business. It appears that the downward trend in traffic has already been arrested. The property is efficiently operated and very few important expenditures will be necessary to take care of any increased volume of traffic in the future. For this reason, any change for the better, especially an increase in gross revenues, should find reflection in a correspondingly greater increase in net income. With the worst in the affairs of the company behind it, the holder of the shares is not assuming an unwarranted risk at present. Subject to temporary fluctuations, it is quite conceivable that the stock could gradually work to higher levels. *At present quotations of approximately $95 per share, the return of 5.2% is apparently in line with other investment rails, an indication that the shares of Northern Pacific may be gradually attaining their old status as an investment.*

B Y F I PRESENTS ITS INVESTMENT SUGGESTIONS IN NEW FORM

(*Continued from page* 853)

stock have been earned from five to eight times over. The 5% rate on the first preferred has been in effect for the past five years. The stock is non-cumulative and non-redeemable but is convertible at par into the common at 110, at the option of the holder. It is listed on the New York Stock Exchange.

10. Common stock of Southern Pacific, the largest railroad in the country in point of assets, is noted for its stability of earning power and market price. It is the only stock issue of the road and is outstanding in the amount of 3.7 million dollars. Available on the New York Stock Exchange.

Bonds Called for Redemption

Company	Rate	Maturity	Amount	Price	Redemption Date
Abitibi Power & Paper notes	6%	1931	$4,000,000	100	Oct., 1928
Aluminum Co. of Amer. deb	5%	1952	$20,000,000	105	Sept., 1928
Amer. Agri. Chemical 1st ref. ser. "A"	7½%	1941	$2,500,000	103½	Aug., 1928
American Ice 1st r. e	6%	1942	$5,037,060	102½	Aug., 1928
Amer. Smelt. & Ref. 1st ser. B	6%	1947	$5,000,000	107½	Oct., 1928
American Steel Products 1st	6%	1932	$17,000	101	Sept., 1928
Amer. Typefounders 1st 15-yr. deb	6%	1940	$179,000	105	Oct., 1928
Ann Arbor R. R. 5-yr. sec. nts	6%	1930	$100,060	101	Sept., 1928
Argentine Nation internal	4½%	a1888	$410,000	100	Sept., 1928
Argentine Gov't int.	4½%	a1888	$410,000	100	Sept., 1928
Argentine Gov't cnv.	4½%	a1889	$550,000	100	Oct., 1928
Associated Oil 12-yr. notes	6%	1935	$1,230,000	102½	Sept., 1928
Cespedes Sugar 1st	7½%	1939	$77,000	105	Sept., 1928
Chic., Burl. & Quincy R. R. eq. nts	6%	1929-35	$2,828,000	103	July, 1928
Chic., Mil. & St. P. Ry. 10-yr. 1st sec.	6%	1934	$14,000,000	102¾	July, 1928
Childs, R. E., ser. "A" & "B" gold bds.	—	1929-32	V.B.	110	Sept., 1928
Chile (Republic of), ext. 20-year	8%	1941	$24,090,000	110	Aug., 1928
Chinese Gov't	5%	1952	$427,000	100	Sept., 1928
Cities Service ref. deb	6%	1966	$24,545,000	104	Nov., 1928
Comm'lth Light & Pow. 1st	6%	1947	All bonds	105	Nov., 1928
Comm'lth Pub. Serv. 1-yr. coll. tr., ser. "A"	5%	1928	$500,000	100	Aug., 1928
Conn. Lt. & Pwr. 1st & ref., ser. "B"	5½%	1954	$63,000	107½	Aug., 1928
Cuba (Rep. of)	5%	1944	$990,000	100	Sept., 1928
Fort Smith Lt. & Trac. 1st s. f	5%	1936	$2,850,000	105	Sept., 1928
General Transit 1st	7%	1929	All bonds	102	Aug., 1928
Georgia Lt. & Pow. & Rys. 1st	5%	1941	$3,466,000	105	Sept., 1928
Gt. Brit. & Ireland (Un. King.) Victory Bonds, Bank of Eng. issue	4%	1976	$11,775,000	100	Sept., 1928
Gt. Brit. & Ireland (U. King.) Victory Bonds, P. O. issue	4%	1976	$518,000	100	Sept., 1928
Houston Gulf Gas 2 yrs. sec. nts	6%	1929	$2,500,000	100	Oct., 1928
Houston Oil of Tex. 10-yr. notes	6½%	1935	$7,354,000	103½	Oct., 1928
Liquid Carbonic 1st mtg. cv. s. f	6%	1941	$56,000	105	Aug., 1928
Locomobile Co. of America 1st	6%	1942	$75,000	100	Sept., 1928
Marconi Wireless Tel. Ltd., deb	6½%	1932	All bonds	105	Oct., 1928
Mengal Co. (The) 1st ser	7%	1930-31	$3,800,000	100½-101	Sept., 1928
Mid-Cont. Petrol. 1st 15-yr. s. f	6½%	1940	$144,000	105	Sept., 1928
N. Y., N. H. & H. R. R. eq. nts	6%	1929-35	$2,663,000	103	July, 1928
N. Y. Telephone 30-yr. deb	6%	1949	$269,000	110	Aug., 1928
Oil Well Sup. Inv. 5-yr. coll. tr. nts	5½%	1932	$2,400,080	102	Sept., 1928
Panama (Rep.) ext	5%	1944	All bonds	105	Nov., 1928
Panama (Rep.) ext. sec	6½%	1956	All bonds	103	Dec., 1928
Panama (Rep.) ext	6½%	1961	All bonds	103	Dec., 1928
Pan-Amer. Pet. & Trans. 10-yr. cv	6%	1934	$452,000	103	Aug., 1928
Paris-Orleans R. R. Company	7%	1954	All bonds	103	Sept., 1928
Phila. Co. 1st ref. & Coll. tr	6%	1944	$12,035,000	103½	Aug., 1928
Pitts. Steel notes	6%	1929-30	$2,000,000	100	Sept., 1928
St. L.-San Fran. Ry. P. L., ser. D	5½%	1942	$17,173,000	102½	July, 1928
St. L.-San Fran. Ry. Adj., ser. A	6%	1955	$40,533,000	100	July, 1928
St. L.-San Fran. Ry. inc. mtge. "A"	6%	1960	$35,172,000	100	Oct., 1928
Schulco Co., Inc., gtd.	6½%	1946	$12,000	103	July, 1928
Schulco Co., gtd. "B"	6½%	1946	$14,000	103	July, 1928
Southern Cal. Ed. gen. & ref	5½%	1944	$10,225,000	105	Aug., 1928
Tenn. Copper & Chem. 15-yr. cv. deb., Ser. "A"	6%	1941	$25,000	105	Oct., 1928
Willys-Overland 1st	6½%	1923	$1,000,000	102	Sept., 1928

V.B.—Various Bends. a—Year of issue.

A CROSS-SECTION OF THE BOND MARKET

(*Continued from page* 831)

ered and the call money market proved more profitable. Offsetting these depressing influences were: Retirements of sizable blocks of Governments by the Treasury and large purchases of them by foreign governments, who tendered United States Governments in payment of war debts.

Equipments are the lowest-yielding railroad obligations. Banks are the chief buyers of equipments. When money tightens banks sell Governments and then equipments. Competitive bidding for equipments, ordered by the Interstate Commerce Commission, caused most of this year's issues to be overpriced, so banks refused to buy them. On the other hand, railroads bought less equipments in the first half of 1928 than in any similar period in 35 years, therefore, few equipment certificates have been floated.

Legal rails are sought by a wide group of institutions, but they are created only at long intervals. As they are first mortgages and have senior claims on assets and earnings, they enjoy yields only slightly *higher* than equipments. Banks hold huge blocks of legals, which, because of their low yields, are liquidated early in a period of tight credit.

Legals now command a scarcity premium—that is why they did not suffer a bigger reaction. Then too the general credit of railroads improved greatly in the last few years. Two recent factors perhaps tend to balance these advantages: Savings bank laws of several states have been liberalized so these institutions may buy equipments and utilities and, therefore, purchase fewer legals; and savings banks, to the extent that deposits were withdrawn for stock market speculation, have less funds to invest.

Municipals are purchased chiefly by savings banks and insurance companies. Ordinarily such institutions do not have to meet as quick demands for cash as do commercial banks. Municipals also are bought by the private investor with an income so large that it

(*Please turn to page* 887)

Building and Loan Associations

We will be glad to answer questions regarding Building & Loan Associations, provided that the information available on the association under consideration is sufficiently complete to warrant an opinion. Address, Building & Loan Ass'n. Department, c/o The Magazine of Wall Street, 42 Broadway, New York City.

Florida

Third Liberty Loan Bonds

Mature Sept. 15, 1928

The U. S. Third Liberty Loan 4¼ Bonds mature Sept. 15, 1928, and cease to bear interest thereafter.

Holders of these bonds who desire to convert them promptly into a conservative safe investment may do so through the Lakeland Building and Loan Association, at current market prices.

We will be glad to supply detailed information for the re-investment of such funds.

Lakeland Building & Loan Association

Assets Over One Million

P. O. Drawer 629 M.W., Lakeland, Fla.

Booklet for Investors

Our booklet, "8% and Safety," tells the story of the Orange County Building and Loan Association, located in prosperous Orlando and Orange County, Florida. Assets have grown from $11,000 to $3,340,997.81 in six years. $641,633.78 has been paid in dividends to over 3,000 stockholders. Has always paid 8%, payable semi-annually. Shares offered at par, $100, without bonus or commission of any kind. Write for booklet.

Orange County Building & Loan Association
Orlando, Florida

FOR YOUR 3rd LIBERTY LOAN and other SEPTEMBER RE-INVESTMENTS purchase our FULL PAID SHARES. 8% dividends payable 2% quarterly in NEW YORK EXCHANGE if desired. Conservative management, state supervision and complete tax exemption features. MAIL INQUIRIES RECEIVE PROMPT ATTENTION.

FORT PIERCE BUILDING & LOAN ASSOCIATION

FORT PIERCE FLORIDA

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8% on Monthly Savings
7% on Fully Paid Certificates

in amounts from $50.00 to $5,000.00 withdrawable on thirty days' notice. Secured by First Mortgages on Homes not to exceed 60% of valuation.

ALABAMA MUTUAL BLDG. & LOAN ASSOCIATION
2012 Fourth Avenue, Birmingham, Ala.
Under Strict State Supervision

Colorado

7% Guaranteed INCOME

Short-term Full-paid certificates maturing in five years. Secured by first mortgages on homes in and around Denver, plus a contingent reserve fund and rigid State Supervision.

Issued in units of $50 to $5000.

DIVIDENDS PAYABLE EITHER QUARTERLY OR SEMI-ANNUALLY

Interest to $300 exempt from Federal Income Tax

Write for Booklet MW

"THE OLD CONSERVATIVE"

THE BANKERS BLDG. & LOAN ASSOCIATION
1510 Glenarm St. Denver, Colo.

Member Colorado State League and United States League of Building & Loan Associations.
The Colorado Bankers' Association.

6½% Guaranteed Income

Full-paid 5-year Time Certificates. Issued for $100 to $10,000 in bond form with quarterly or semi-annual interest coupons. Monthly income easily arranged. Exempt Federal Income Tax to $300 interest yearly. Transferable and renewable. Joint ownership permitted. Protected by the safest known type of city real estate mortgages—plus the largest permanent capital in Colorado.

Our recent reduction of interest to 6½% on Time Certificates enables us to loan at a rate under the average market, giving us the choice loans with best security. *Write for folder "C."*

SILVER STATE Building and Loan Association
1648 Welton St. Denver, Colo.

MEMBERS: The Colorado Bankers Assn., and the Colorado State and United States Bldg. & Loan Leagues.

New York

Protective Savings and Loan Association

1 Madison Ave., New York City.

Our Income Shares, on Which We Pay Cash Dividends January 1 and July 1, are Legal Investments for Trust Funds Under the New York State Law.

This Association also issues installment shares, single or double, which at maturity are of the value of $200.00 each. Monthly payments of $1 on single, and $2. on double shares, afford you a systematic, regular and continuous method of setting aside your surplus funds for savings.

Under the supervision of the NEW YORK STATE BANKING DEPARTMENT, this Association offers you the highest degree of safety known, as a protection for your savings.

Your inquiries are invited.

Texas

SOUTHLAND INVESTMENT CERTIFICATES 7%

(Full paid or prepaid Shares)

Dividends Payable January and July

Issued in amounts of $500, and up in multiples of $100. Dividends payable from date of issue to withdrawal. No fees or impositions of any kind. Assets $1,750,000. Write for folder "Building and Loan as an Investment" and Financial Statement.

SOUTHLAND BUILDING & LOAN ASSOCIATION
G. A. McGREGOR, V. Pres. & Secy.
1204 Main St. Dallas, Texas

8% If You Have $100

or more you can invest in our Fully Paid Shares and receive dividends at the rate of 8% per annum, paid semi-annually.

We also issue Monthly Installment and Prepaid Shares. *Write for information today.*

MIDLAND BUILDING & LOAN ASSN.
SANTA FE BLDG. DALLAS, TEXAS

7% With Safety

Our Full Paid Certificates, secured by First Mortgage Notes on improved real estate, pay 7% per annum—dividends payable July 1st and January 1st.

Installment and Prepaid Certificates are participating and now earning 8%. State supervision insures the safety of your investment.

Located at El Paso, Texas, where real estate values are not inflated.

Send for descriptive literature

People's Bldg. & Loan Ass'n
Authorized Capital $15,000,000
205 No. Oregon St., El Paso, Texas

8%

We pay 8% cash dividends payable quarterly on Fully Paid Shares.

San Angelo Bldg. & Loan Assn.
(Under State Supervision)
20 West Twohig San Angelo, Texas

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COMMODITIES

THE OPPORTUNITY EXCHANGE
A Clearing House For Business Men

MEN
AGENTS
BUSINESS
OPPORTUNITIES

Dividends and Interest

Credit Service, Inc.

ESTABLISHED 1923

Industrial Bankers

Profit Sharing No. 6

The Board of Directors of Credit Service, Inc. have declared bondholders' profit sharing of

2%

for the

Semi-Annual Period

ending August 31, 1928, payable to bondholders of record of same date. This is in addition to the regular 6% interest.

Checks will be mailed about September 15, 1928.

W. H. BISHOP, Jr., Treas.

August, 1928
Baltimore, Md

International Combustion Engineering Corporation

PREFERRED STOCK
Dividend No. 4

The Board of Directors of International Combustion Engineering Corporation at a meeting held August 17th, 1928, declared a quarterly dividend for the period ending September 30th, 1928, of One Dollar and Seventy-five Cents ($1.75) per share upon the outstanding Preferred Stock of the Corporation, payable October 1st, 1928, to stockholders of record at the close of business September 15th, 1928.

George H. Hansel, Treasurer.

New York, August 17, 1928

Dividends and Interest

Public Service Corporation of New Jersey

Dividend No. 85 on Common Stock

Dividend No. 39 on 8% Cumulative Preferred Stock

Dividend No. 23 on 7% Cumulative Preferred Stock

Dividend No. 1 on $5.00 Cumulative Preferred Stock

The Board of Directors of Public Service Corporation of New Jersey has declared dividends at the rate of 8% per annum on the 8% Cumulative Preferred Stock, being $2.00 per share; at the rate of 7% per annum on the 7% Cumulative Preferred Stock, being $1.75 per share; at the rate of $5.00 per annum on the non par value Cumulative Preferred Stock, being $1.25 per share; and 50 cents per share on the non par value Common Stock for the quarter ending September 30, 1928 Dividends are payable September 29, 1928, to stockholders of record at the close of business September 1, 1928.

Dividends on 6% Cumulative Preferred Stock are payable on the last day of each month.

T. W. Van Middlesworth, Treasurer.

Public Service Electric and Gas Company

Dividend No. 17 on 7% Cumulative Preferred Stock

Dividend No. 15 on 6% Cumulative Preferred Stock

The Board of Directors of Public Service Electric and Gas Company has declared the regular quarterly dividend on the 7% and 6% Preferred Stock of that Company. Dividends are payable September 29, 1928, to stockholders of record at the close of business September 1, 1928.

T W. Van Middlesworth, Treasurer.

INTERNATIONAL PAPER COMPANY

New York, August 29, 1928.

The Board of Directors have declared a regular quarterly dividend of one and three-quarters per cent (1¾%) on the Cumulative 7% Preferred Stock of this Company, and a regular quarterly dividend of one and one-half per cent (1½%) on the Cumulative 6% Preferred Stock of this Company, for the current quarter, payable October 15, 1928, to holders of record at the close of business, September 20, 1928.

Checks to be mailed. Transfer books will not close.

OWEN SHEPHERD,
Vice-President and Treasurer.

Printing

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$1.25 per 1000

IN LOTS OF 50,000
25,000 at $1.50—12,500 at $1.75 or 6,250 our Minimum at $2.25 per 1000
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ENGRAVINGS AT ACTUAL COST

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552 West 22nd St., New York City
SEND FOR BOOKLET OF PAPER AND ENGRAVINGS

Dividends and Interest

E. I. DU PONT DE NEMOURS & CO.

Wilmington, Del., August 20, 1928.

The Board of Directors has this day declared a regular dividend of $2.50 per share on the outstanding no par value common stock of this Company, payable September 15, 1928 to stockholders of record at the close of business August 31, 1928; also dividend of 1½% on the outstanding Debenture Stock of this Company, payable October 25, 1928 to stockholders of record at the close of business October 10, 1928.

M. D. FISHER, Assistant Secretary

Union Carbide and Carbon Corporation

A cash dividend of One Dollar and fifty cents ($1.50) per share on the outstanding capital stock of this Corporation has been declared, payable October 1, 1928, to stockholders of record at the close of business September 7, 1928.

WILLIAM M. BEARD,
Treasurer

THE MONTANA POWER COMPANY
COMMON STOCK DIVIDEND NO. 64

A dividend of One and one quarter per cent (1¼%) on the Common Stock has been declared, payable October 1, 1928, to stockholders of record at the close of business on September 14, 1928.

Checks will be mailed.

J. F. DENISON, Treasurer.

25 Broadway, N. Y.

THE UNITED GAS IMPROVEMENT CO.

N. W. Cor. Broad and Arch Streets
Philadelphia, Pa., July 11, 1928.

The Directors have this day declared a quarterly dividend of two per cent. ($1.00 per share) on the Capital Stock of this Company, payable October 15, 1928, to stockholders of record at the close of business September 15, 1928. Checks will be mailed.

I. W. MORRIS, Treasurer.

ALLIED CHEMICAL & DYE CORPORATION

61 Broadway
New York

August 28, 1928.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 31 of one and three-quarters per cent (1¾%) on the Preferred Stock of the Company, payable October 1, 1928, to preferred stockholders of record at the close of business September 11, 1928.

V. D. CRISP, Secretary.

The Bell Telephone Company of Canada
NOTICE OF DIVIDEND

A dividend of two percent (2%) has been declared payable on the 15th October, 1928 to shareholders of record at the close of business on the 22nd September, 1928.

W. H. BLACK,
Secretary-Treasurer

Montreal, August 22nd, 1928.

Create Investor Good Will by Publishing Your Dividend Notices in The Magazine of Wall Street!

(*Continued from page* 884)

runs into the higher sur-tax brackets.

Perhaps the position of municipals in the nine groups should be lower—that is, they should show a smaller percentage of decline. The municipals chosen were confined to cities and states that recently borrowed on the theory that old issues of municipal bonds do not respond as readily to changing price levels as do new issues. This is true inasmuch as most municipals are bought for permanent investment and held to maturity; hence, the floating supply of seasoned issues is small.

Prime utilities to an increasing extent are becoming legal investments, because the industry has been able to show stability of earning power. On the other hand, many prime utilities, floated early in the year, were overpriced even when compared with the then easy money rates. Since the averages include recent flotations they will reflect over-pricing and tighter money. Commercial banks do not hold big blocks of utilities so they were not subjected to liquidation from that quarter. Insurance companies, who are fairly permanent investors, constantly are increasing their utility holdings.

Industrials are influenced largely by conditions within their respective fields or even by special conditions attaching to the terms of the issues themselves. Many corporations, on account of the long period of easy money in this country, either eliminated or reduced their bonded indebtedness; others refunded their bond debt with lower-couponed securities. The lowest-yielding, as is true of other groups, show the widest decline, for the reason that institutions and large individual investors disposed of such issues using the proceeds more profitably elsewhere.

Second-grade utilities, because of the legalization of prime issues, have a wider demand from investors who found it unprofitable to bid against savings banks. Most of these utilities are fairly well secured, but lack market seasoning.

Foreign Bonds

Foreign governments are owned principally by American and foreign investors. They are not in bank portfolios, and, hence, were not liquidated. Then again, they give sufficiently high yields to pay their keep. Defaults in recent years have been relatively few. As investors, due to world-wide economic stabilization, receive their interest regularly and their principal when due, they are not inclined to sacrifice investments yielding them 5½% or better.

What is the outlook for bonds? That depends on the trend of money rates. If autumnal trade demands huge credit, funds are likely to flow into trade rather than bond channels. On the other hand, the small volume of new issues and the repricing of earlier flotations have made it possible to move many unsold bonds, thereby putting the

market in a good statistical position.

The decline or recovery of bonds also depends on the answer to the question: "Are Stocks or Bonds Too High?" Present stock levels bring about a pressure for short-term money. If this pressure is met, long-term funds suffer and bonds will be unfavorably affected until a new equilibrium is established. If the stock market breaks sufficiently to release substantial amounts of credit, money for all purposes will be cheaper and bonds will recover. Nevertheless, the comparatively firm action of bonds under trying conditions gives a fair picture of what may be expected over the longer range.

THE PROFESSIONAL MAN'S NEED FOR LIFE INSURANCE

(*Continued from page* 851)

physically and professionally, than is the case with the average business man who is able to lead a more regular life with more definitely arranged hours of business activity. A man of this type can gauge with more or less accuracy the age at which his professional value will be decreasing. During the height of his career he can provide a sinking fund for this depreciation in his economic value by means of life insurance. To properly figure the amount of the fund which he should aim to build, he must view his life insurance proceeds in the light of the *income* they will yield.

Endowment Policies

Some professional men arrange their entire savings and protective fund by means of Endowment Policies. One successful dentist has followed this course for the past thirty odd years, taking, as he could afford it, additional policies on this plan to build up his estate. At his present age of fifty-seven he has built up a fund of about $100,000. More than half of these policies having already matured and the proceeds been conservatively invested. The remainder he plans to apply at maturity towards the purchase of a Joint and Survivor Annuity for himself and his wife, providing a monthly income during their joint lives and throughout the remaining lifetime of the survivor.

GENERAL MOTORS AND CHRYSLER

(*Continued from page* 825)

in Alfred E. Smith's Presidential aspirations, it has become necessary for the former to forsake the affairs of the corporation for the time being at least. Similarly, the affluent chairman of the board of directors, Mr. Pierre S. du Pont, has come out against prohibition and for Al Smith, and has taken an indefinite leave of absence from his administration of the affairs of General Motors. Reading between the lines of carefully weighed official statements, Wall Street thought that it detected signs of dissension in the corporate family at the time these officers handed in their resignations to the directors. Be that as it may, it is unlikely that the political views of these two gentlemen will cause permanent termination of their Motors affiliation or a wholesale liquidation of their respective investments in General Motors stock.

Of all these tangible factors none seem important enough to warrant a change of heart among the thousands of investors and speculators who have made fortunes—both large and small ones—in General Motors. If these fortunes are being converted into embryo fortunes in other issues, one must look for a cause other than a vital impairment in the financial and industrial prowess of the colossal motor car concern. And to those who are familiar with the psychology of stock buyers, it is not necessary to look further than the fact that *Motors has had its rise.* A following is neither built up nor is it held by any issue that holds its ground, or moves back and forth in a familiar price range. New highs, new advances and new price territory—that is the food on which stock traders thrive.

With this thought in mind, it is not strange then that the boardroom traders and speculators in general should jump out of Motors and into Chrysler as the latter surges into new price ground. Of the so-called "independent" motor shares, none now seem to bid so strongly for the support and favor of this class of buyers. None have shown so vigorous market performance in recent weeks; none have such an impressive record of growth and expansion on which a forward movement may be predicated, none offer as big an "attraction" as the now-we-will-see-what-Walter P. Chrysler-will-do show that is about to open in full swing.

For Feature Articles
to Appear in the Next
Issue
See Page 813

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock of Record	Date Payable
$3.00	Chic. Yellow Cab Co.	$0.25	M	9-20	10-1
7.00	Liggett & Myers ...	1.75	Q	9-10	10-1
.80	Park Utah Cons. Min	.20	Q	9-11	10-1
8.00	Ward Baking Cl. A..	2.00	Q	9-13	10-1
6.00	Adams Ex. Co. com.	1.50	Q	9-15	9-29
5.00	Adams Ex. Co. pfd..	1.25	Q	9-15	9-29
2.00	Am. Bank Note com.	.50	Q	9-12	10-1
3.00	Am. Bank Note pfd.	.75	Q	9-12	10-1
3.00	Am. Home Products.	.25	M	9-14	10-1
7%	Am. Linseed pfd....	1¾%	Q	9-20	10-2
$8.00	Amer. Loco. com....	2.00	Q	9-13	9-29
7.00	Amer. Loco. pfd....	1.75	Q	9-13	9-29
5.00	Amer. Radiator com.	1.25	Q	9-15	9-29
6.00	Amer. Rwy. Express	1.50	Q	9-15	9-29
9.00	Amer. Tel. & Tel...	2.25	Q	9-20	10-15
1.00	Bucyrus-Erie com...	.25	Q	9-8	10-1
7.00	Bucyrus-Erie pfd...	1.75	Q	9-8	10-1
2.50	Bucyrus-Erie con. pf.	.62½	Q	9-8	10-1
6.00	Case (J. I.) Thresh. Mach. com.	1.50	Q	9-10	10-1
7.00	Case (J. I.) Thresh. Mach. pfd.	1.75	Q	9-10	10-1
3.00	Chesapeake Corp. ..	.75	Q	9-8	10-1
10.00	Ches. & Ohio Ry...	2.50	Q	9-8	10-1
3.00	Chrysler Corp. com..	.75	Q	9-17	9-29
8.00	Chrysler Corp. pfd...	2.00	Q	9-17	9-20
6.00	Coca Cola	1.50	Q	9-12	10-1
5.00	Elec. Stor. Battery..	1.25	Q	9-8	10-1
.80	Federal Motor Truck	.20	Q	9-15	10-1
1.50	Gen'l G. & E. Co.—Cl. A com.	.37½	Q	9-12	10-1
7.00	Glidden Co. pr. pfd..	1.75	Q	9-14	10-1
7.00	Goodrich, B. F., pfd.	1.75	Q	9-10	10-1
2.50	Gotham Silk Hosiery	.62½	Q	9-12	10-1
2.80	Gt. West. Sug. com.	.70	Q	9-15	10-2
7.00	Gt. West. Sug. pfd..	1.75	Q	9-15	10-2
4.00	Greene Can. Copper.	1.00	Q	9-14	10-1
5.00	Hudson Motor Car...	1.25	Q	9-11	10-1
5.00	Int. Business Mach..	1.25	Q	9-22	10-1
4.00	Inter. Cement Corp..	1.00	Q	9-11	9-20
3.00	Inter. Nickel com...	.75	Q	9-10	9-29
2.00	Kelsey-Hayes Wheel Corp.	.50	Q	9-20	10-1
2.00	Ludlum Steel	.50	Q	9-20	10-1
6.00	Mathieson Alkali Wks. com.	1.50	Q	9-17	10-1
5%	Montana Power	1¼%	Q	9-14	10-1
7.00	Montg.-Ward, Cl. A.	1.75	Q	9-20	10-1
Stock	Motor Wheel com..	K.25%	Ext	9-10	10-15
.25	Motor Wheel com....	.25	Ext	9-10	9-20
2.00	Motor Wheel com....	.50	Q	9-10	9-20
5.00	National Lead	1.25	Q	9-14	9-20
3.00	Packard Motor Car..	.25	M	9-15	9-29
1.50	Phillips Petroleum...	.37½	Q	9-14	10-1
2.00	St. Joseph Lead.....	.50	Q	9-8	9-20
.25	St. Joseph Lead.....	.25	Ext	9-8	9-20
2.00	South Porto Rico Sugar com.	.50	Q	9-10	10-1
8.00	South Porto Rico Sugar pfd.	2.00	Q	9-10	10-1
.25	South Porto Rico Sugar	.25	Ext	9-10	10-1
1.20	S. S. Kresge com....	.30	Q	9-10	9-29
7.00	S. S. Kresge pfd....	1.75	Q	9-10	9-29
4.00	Underwood-Elliott-Fisher com.	1.00	Q	9-14	9-29
7.00	Underwood-Elliott-Fisher pfd.	1.75	Q	9-14	9-29
7.00	Underwood-Elliott-Fisher pfd. B.....	1.75	Q	9-14	9-29
1.00	United Cigar Stores.	.25	Q	9-12	9-29
4.00	United Gas Impr't..	1.00	Q	9-15	10-15
1.00	White Motor	.25	Q	9-15	9-29
5.00	Youngstown Sheet & Tube com.	1.25	Q	9-14	9-30

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